



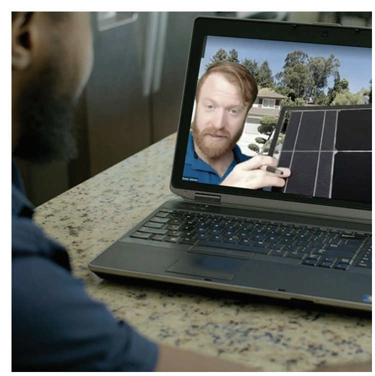
SUNPOWER®

2020
Annual Report











Making solar + storage simple for everyone

We believe clean energy and backup storage should be accessible to everybody. That's why SunPower designs all-in-one residential and commercial solar solutions backed by personal customer service and the industry's most comprehensive warranty. And with over 35 years of dedicated solar experience, we're the only U.S.-based solar company that's been around longer than our 25-year warranty.

2020 Annual Report CEO Letter

Dear Shareholders,

Among the many things that became clear in 2020, we learned that widespread renewable energy adoption is a reality. People and businesses are demanding better, cleaner, more resilient, and more affordable energy. That future is here: according to the International Energy Agency 90 percent of new worldwide electricity capacity came from renewable sources in 2020. The markets have spoken, and SunPower is delivering.

Poised to enable a new era of distributed energy and self-produced power

Last August, SunPower embarked on a new chapter as we completed our spin-off with Maxeon Solar Technologies. This split enables SunPower to apply even more focus to the areas where our industry is growing most: sales in the U.S. and downstream tech innovation like on-site storage and energy management software. Following the split, SunPower is essentially a new company with an incredible amount of insight and a deep heritage in innovation.

Growing our U.S. residential market and margins

Even in a year when Covid-19 took a toll on our economy and lives, consumer interest in solar grew, as did our Residential and Light Commercial (RLC) business. With an especially strong second half of the year, we increased megawatts installed 33% in Q3 and 35% again in Q4 and ended the year with a total installed base of more than 350,000 homes.

We added more and lower-cost financing options in our loan and lease mix, enabling us to expand our total addressable market while increasing margins. Consumers are increasingly looking to own their systems — according to Wood Mackenzie 73 percent of solar installations purchased in the first three quarters of 2020 were done so with cash or a solar loan. We are fueling this trend and enabling even more people to generate their own energy with a solar system they own by adding an additional ultra-low APR, high-margin loan option in 2021.

SunPower continues to sell and install our solar systems through our network of more than 700 independent dealers across 49 states, but we expanded our SunPower Residential Installation (SPRI) program which enables companies to sell SunPower while we take on the installation. This structure provides new channels for SunPower to meet the demand of our rapidly growing customer base and gives homeowners more options when buying solar.

Finally, we continued to lead in the new homes market. SunPower is at the forefront of new home compliance, working with 18 of the top 20 builders in California. By collaborating with builders early in the process and innovating in new solutions, we are becoming a go-to partner for builders, developers and homeowners. SunPower completed more than 11,000 new home installations in 2020.

With increasing demand and only 2% nationwide residential solar penetration, SunPower has an enormous opportunity for growth in the years to come.

Building resilience against a taxed grid

Storms and wildfires tested our electricity grid in 2020, and it became clear that our 20th century energy system is unable to meet the needs of 21st century America. Distributed energy and storage make a more resilient grid and provide people and businesses the reliability they need to stay safe, productive, and comfortable.

As demand for solar batteries soared, we launched SunVault™ storage, enabling consumers to charge with solar, decrease energy use at peak-time, and backup essential electric services. With SunVault, SunPower offers the only solution with completely integrated solar and storage, from the technology down to the single warranty. I'm particularly proud of our ability to pack an enormous amount of power into only two, sleek boxes, where our competitors' systems are made up of as many as six. We rapidly ramped deployments in Q4 and are seeing increasing demand and attach rates for SunVault in 2021. Along with Helix™ storage for commercial customers, we are helping users better manage their energy and save money while making a more resilient grid.

Leading in Commercial and Industrial (C&I) Solutions
Businesses and government entities are doubling down on their commitments to make a positive impact in their communities and environment, as well as realizing the cost-saving and grid resilience benefits that come with solar and storage. Last year we maintained our leading position in C&I Solutions and added to our $3.5 billion pipeline in key verticals including manufacturing, education, municipalities and public transit. These include $50M+ deals with the Washington Metro Transit Authority and JFK, a large project with Chevron at their Bakersfield campus, and many others. With these, and stand-alone projects, we also increased our community solar footprint and pipeline. Community solar shows increasing promise as its structure enables business and government entities to lower energy costs, achieve revenue, and provide surrounding communities with clean, affordable energy.

Demand for our Helix® storage solution also remains high; the company installed 18 MWh throughout 2020. With a combined backlog and pipeline of more than 800 MWh and sales attach rates of 30%, our C&I business is well positioned to capitalize on the increased demand for our commercial storage and services solutions in the year to come.

SunPower moves the solar industry into digital age
While our sales continued to increase in 2020, the way we sold changed significantly. For years, we had been preparing for a shift in the solar industry that would enable more people to plan and purchase their systems online. Covid-19 lockdowns accelerated that shift exponentially. We began the year with 5% of sales made digitally; by Q4 we were making 85% of sales online.

These sales are fueled by our portfolio of best-in-class digital tools for consumers and dealers. Since our Q4 2019 launch of SunPower Design Studio, our do-it-yourself solar roof design and visualization tool, we have automatically generated more than 90,000 designs for homeowners. What's more, our sales conversion rate with SunPower Design Studio is 50% higher than other entry points. For our dealers, we offer the industry's most advanced platform to market, present, design and sell SunPower® systems to homeowners. SunPower's turnkey software enables dealers to customize each project from panel placement to financing options.

We are also using our abilities in digital to reduce some of the significant soft costs associated with going solar. In conjunction with industry peers and trade groups, we created and piloted SolarAPP, an online instant permitting application for local jurisdictions. This tool will streamline the solar permitting process, reducing timelines and soft costs, and cancellation rates.

Still delivering the best in panels
While we have shifted our focus to the downstream market, SunPower is committed to remaining a leader in power, efficiency, and aesthetics. We have a two-year exclusive agreement with Maxeon to continue selling best-in-class panels in our fully integrated solar and solar plus storage systems.

We are also continuing to innovate in panel technology. In 2020 we introduced OneRoof™, the only complete roof-integrated solar system. OneRoof replaces roofing tiles with SunPower panels installed directly into the roof deck, creating a watertight, impermeable solar roof. In 2020 long time SunPower partner KB Home began offering this first-of-its-kind system to its Ashbury new-home community in the San Francisco Bay Area.

Significantly improved balance sheet and poised for growth
In 2020 we significantly improved our balance sheet and ended the year in a strong financial position. We exceeded our GAAP net income and adjusted EBITDA guidance, expanded our margins, strengthened our balance sheet and generated positive cash flow. We also continued to make progress on lowering our cost of capital while maximizing customer value. We now have a forward net debt to EBITDA ratio well below three and are poised to be on the offense in the years to come.

As we look to 2021 and beyond, we are making strategic investments that will enable us to lead in the areas of software and energy services, as well as expand our addressable market and capture more share of this growing industry.

Looking ahead: policy that accelerates the renewable energy economy
2020 ended with major legislation including an extension of the solar Investment Tax Credit for two additional years — making solar and storage more affordable for more Americans. As we look to 2021, it is clear that the federal government is serious about tackling climate change, greening infrastructure, creating jobs in renewable energy, and reversing negative impacts previous energy solutions and policies have had on low-income communities and people of color. Put together, we are hopeful for the creation of federal policies, which we will then incorporate into our revenue guidance, that will spur new demand in solar energy.

We know that by empowering American consumers and businesses to generate, store and manage their own energy, we can create a new industry capable of creating stable economic growth, well-paying jobs that can only be done in America, and providing lower cost electricity. We look forward to working with the Biden-Harris Administration to achieve their ambitious climate goals and make the green economy synonymous with the American economy.

A new chapter for SunPower
It is a bittersweet feeling to write my last shareholder letter to you all. As I look back on my career at SunPower, I couldn't be prouder of where we have come in the last 18 years. Our team has consistently shown resiliency and resourcefulness, ingenuity and tenacity. It's the phenomenal group of purpose-inspired people at SunPower that work towards our mission every day that have gotten us to where we are today.

Looking forward, I see a bright future for the company under the leadership of Peter Faricy. He can help SunPower reimagine the way we work and apply his experience in creating business partnerships and superior customer experiences to capture new opportunity and growth. He is passionate about improving our planet and creating more affordable and reliable energy. Under his leadership, along with our talented and tenured team, SunPower can change the way our world is powered.

We appreciate your commitment and look forward to working with you in the years to come. The best is still ahead.

Sincerely,

Thomas H. Werner
Chief Executive Officer and Chairman of the Board
SunPower

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 3, 2021

OR

☐ **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.)
51 Rio Robles **San Jose California**	**95134**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.001 par value	**SPWR**	**Nasdaq Global Select Market**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Emerging growth company	☐	Non-accelerated filer	☐
		Smaller reporting company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 28, 2020 (the last business day of the registrant's most recently completed second fiscal quarter) was $579.5 million. Such aggregate market value was computed by reference to the closing price of the common stock as reported on the Nasdaq Global Select Market on June 28, 2020. For purposes of determining this amount only, the registrant has defined affiliates as including Total Solar INTL SAS, formerly known as Total Solar International SAS, Total Energies Nouvelles Activités USA and Total Gas & Power USA, SAS and the executive officers and directors of the registrant on June 28, 2020.

The total number of outstanding shares of the registrant's common stock as of February 12, 2021 was 170,555,340.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the registrant's definitive proxy statement for the registrant's 2021 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K.

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INTRODUCTORY NOTES

Trademarks

The following terms, among others, are our trademarks and may be used in this report: SunPower®, EnergyLink™, InvisiMount®, Helix™, Equinox™, PowerGuard®, PowerLight™, SunVault™, OneRoof™, Demand Better Solar™, Supo Solar™, Sunrente™, and The Power of One™. Other trademarks appearing in this report are the property of their respective owners.

Unit of Power

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

Levelized Cost of Energy (''LCOE'')

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

Customer Cost of Energy (''CCOE'')

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

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "will," "would," "should," and similar expressions to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, the sufficiency of our cash and our liquidity, projected costs and cost reduction measures, development of new products and improvements to our existing products, the impact of recently adopted accounting pronouncements, our manufacturing capacity and manufacturing costs, the adequacy of our agreements with our suppliers, our ability to monetize our solar projects, legislative actions and regulatory compliance, competitive positions, management's plans and objectives for future operations, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, our ability to repay our obligations as they come due, our ability to continue as a going concern, trends in average selling prices, the success of our joint ventures and acquisitions, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest, and credit risk, general business and economic conditions in our markets, industry trends, the impact of changes in government incentives, expected restructuring charges, risks related to privacy and data security, statements regarding the anticipated impact on our business of the COVID-19 pandemic and related public health measures, macroeconomic trends, and uncertainties, and the likelihood of any impairment of project assets, long-lived assets, and investments. These forward-looking statements are based on information available to us as of the date of this Annual Report on Form 10-K and current expectations, forecasts, and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Please *see "Item 1A. Risk Factors" herein and our other filings with the Securities and Exchange Commission ("SEC") for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise.*

The following information should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Our fiscal year ends on the Sunday closest to the end of the applicable calendar year. All references to fiscal periods apply to our fiscal quarter or year, which end on the Sunday closest to the calendar month end.

PART I

ITEM 1. *BUSINESS*

Corporate History

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

Company Overview

SunPower Corporation (together with its subsidiaries, ''SunPower,'' ''the Company,'' ''we,'' ''us,'' or ''our'') is a leading solar energy company that delivers complete solar solutions to customers primarily in United States and Canada through an array of hardware, software, and financing options, and ''Smart Energy'' solutions. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings, and grids—all personalized through easy-to-use customer interfaces. We are a leader in the U.S. downstream Distributed Generation (''DG'') market, providing an affordable and sustainable source of electricity compared to traditional utility energy to residential homeowners and commercial customers through multiple financing options. Our sales channels include a strong network of dealers and resellers that operate in both, residential and commercial markets, as well a group of talented and driven in-house sales team within each segment engaged in direct sales to end customers.

Recent Developments

Maxeon Solar Spin-Off Transaction

On August 26, 2020, we completed the spin-off (the ''Spin-Off'') of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares (''Maxeon Solar''), consisting of certain non-U.S. operations and assets of our former SunPower Technologies business unit. The Spin-Off was completed by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock (the ''Distribution'') as of the close of business on August 17, 2020.

In connection with the Spin-Off, and as contemplated by the Separation and Distribution Agreement entered into by us and Maxeon Solar, we and Maxeon Solar entered into certain ancillary agreements that govern the relationships between the Company and Maxeon Solar following the Distribution, including: a tax matters agreement, employee matters agreement, transition services agreement, back-to-back agreement, brand framework agreement, cross license agreement, collaboration agreement, and supply agreement (collectively, the ''Ancillary Agreements''), each as previously described in our announcement of the contemplated transaction.

Sale of Operations and Maintenance Business

On May 14, 2020, we sold the substantial majority of our O&M (''Operations & Maintenance'') services contracts for utility, commercial, and industrial scale photovoltaic power projects and related assets and liabilities to NovaSource Power Services (''NovaSource'') for total consideration of $36.3 million.

Upon closing, we received net cash consideration of $16.0 million, excluding certain hold-backs totaling in aggregate $15.0 million for certain retained obligations and contracts not novated as of closing. We assessed the recoverability of these hold-backs and included our best estimate of the amount recoverable in the future in our calculation of net gain on sale. Additionally, we also agreed to retain and subcontract certain O&M contracts for selected large utility scale power plant projects in North America at a fixed price to NovaSource. The contracts were deemed loss-making on the closing date and accordingly, we recorded a liability for the expected loss to be recognized for these contracts that will be amortized over the expected period of loss of three years.

Segments Overview

In the third quarter of fiscal 2020, and concurrent with the Spin-Off, we reorganized our business into new segments to align our focus on the U.S. downstream DG market and new business model driven by financial offerings, solar energy systems storage, solutions, and software services. Previously, we operated under two end-customer segments, comprised of our (i) SunPower Energy Services and (ii) SunPower Technologies. The SunPower Energy Services segment referred to our downstream business consisting of sales of solar energy solutions to residential and commercial end-customers, and the SunPower Technologies segment referred to global manufacturing and our large-scale solar products and systems and international component sales.

Under the new segmentation, Residential, Light Commercial (''RLC'') refers to sales of solar energy solutions previously included in the legacy SunPower Energy Services segment, including sales to our third-party dealer network and resellers, storage solutions, cash and loan sales, and long-term leases directly to end customers. The Commercial and Industrial Solutions segment (''C&I Solutions'') refers to direct sales of turn-key engineering, procurement, and construction (''EPC'') services, and sales of energy under power purchase agreements (''PPAs''). Certain legacy businesses consisting of worldwide power plant project development, project sales, and U.S. manufacturing, which we are winding down, are not significant to overall operations, and are deemed non-core to our other businesses and classified as ''Others.'' Certain key cross-functional support functions and responsibilities including corporate strategy, treasury, tax and accounting support and services, among others, continue to be centrally managed within the Corporate function.

Each segment is managed by a business general manager that reports to our Chief Executive Officer, as the chief operating decision maker (''CODM''), who reviews our business, manages resource allocations, and measures performance of our activities across the RLC, C&I Solutions, and Other segments. The CODM further views the business performance of each segment under two key sources of revenue - Dev Co and Power Co. Dev Co refers to our solar origination and installation revenue stream within each segment such as sale of solar power systems with our dealers and resellers network as well as installation and EPC revenues, while Power Co refers to our post-system sale recurring services revenues, mainly from asset management services and O&M services through our SunStrong partnership dealer services for RLC and our commercial dealer network for C&I. The risk profile of each of the revenue streams is different and, therefore, the segregation of Dev Co and Power Co provides the CODM with appropriate information to review business performance and allocate resources to each segment.

Impact of COVID-19 on our Business

The COVID-19 pandemic has driven our organizations across the globe to operate virtually to a large extent, and support remote workforces at a faster speed and greater scale than ever before. Following the first shelter-in-place orders, we expanded our internal virtual salesforce and helped enable our dealers to complete sales consultations in a virtual setting. We have seen leads through our online and virtual sales channels at attractive customer acquisition costs. We believe that a virtual sales model will position us and our dealers to reduce customer acquisition costs in the future.

The health and safety of our employees, contractors, and customers are a top priority for us. In an effort to protect our employees and contractors, we took and continue to take proactive and aggressive actions, starting with the earliest signs of the outbreak, to adopt social distancing policies at our locations around the world, including working from home and suspending employee travel. We have transitioned to work from home with flexible work policies, and most of our non-installation workforce is working from home and is expected to continue to do so until at least July 2021.

As the installation of solar systems is considered an essential business in many jurisdictions, employees and contractors who are working onsite are required to adhere to strict safety measures, including the use of masks and sanitizer, wellness screenings prior to accessing work sites, staggered break times to prevent congregation, prohibitions on physical contact with co-workers or customers, restrictions on access through only a single point of entry and exit, eliminating carpooling, and utilizing video conferencing, where possible. We have also incorporated other rules such as restricting visitors to any of our facilities that remain open and proactively providing employees with hand sanitizer and disinfectant wipes. Also, we developed a COVID-19 Response Team that meets regularly to develop tailored action plans and protocols to protect our employees and publishes these actions, guidelines, and rules on our intranet available to all employees.

At the onset of the pandemic, across the organization, we took specific measures to sustain our business and operations as well as protect our employees. These measures included temporary reductions in the salaries of certain of our executive officers and the fees payable to our independent directors, as well as temporary reductions in salaries and reduced work week schedules for certain of our employees to address reduced demand and workloads, with exceptions for certain groups, including those supporting customer and asset services. In June 2020, most of our employees resumed a full work week and returned to full salary during the last week of July. In September 2020, our executive officers and independent directors returned to full salary.

As of February 2021, COVID-19 cases continue to rise in certain areas of the United States and worldwide, and as a result, many jurisdictions are restricting or planning to restrict businesses and economic activities. It is not clear what the potential effects any such future developments, including any new government restrictions, may have on our business, including the effects on our customers, employees, and prospects, or on our financial results. We will continue to actively monitor the situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, and as required by federal, state, or local authorities.

Outlook

We believe the execution of our strategy will provide attractive opportunities for profitable growth over the long term. We believe the most significant elements of uncertainty are the intensity and duration of the impact of the COVID-19 pandemic on project installation and commercial and consumer spending as well as the ability of our sales channels, supply chain, and distribution centers to operate with minimal disruption in the near term, especially if local governments impose new measures and restrictions in jurisdictions in which we operate. The disruptions noted above could negatively impact our financial position, results of operations, cash flows, and outlook.

Solutions

We are focused on delivering complete solar power generation solutions to our customers. As part of our solutions-based approach, we focus on SunPower Helix products for our commercial business customers and our SunPower Equinox product for our residential business customers. The Equinox and Helix systems are pre-engineered modular solutions for residential and commercial applications, respectively, that combine our high-efficiency solar module technology with integrated plug-and-play power stations, cable management systems, and mounting hardware that enable our customers to quickly and easily complete system installations and manage their energy production. Our Equinox systems utilize our latest A-Series cell and alternating-current photovoltaic technology for residential applications, where we are also working to expand our initiatives on storage and Smart Energy solutions. Our Helix products are available for carport, ground, and roof installations and provide seamless solar solutions at low cost. Additionally, we continue to focus on installing our lower cost, high efficiency Performance Line and our A-Series product line, which we believe will enhance our ability to rapidly expand our global footprint with minimal capital cost.

We continue to see significant and increasing opportunities in technologies and capabilities adjacent to our core product offerings that can significantly reduce our customers' CCOE, including the integration of energy storage and energy management functionality into our systems, and have made investments to realize those opportunities, enabling our customers to make intelligent energy choices by addressing how they buy energy, how they use energy, and when they use it. We have added advanced module-level control electronics to our portfolio of technology designed to enable longer series strings and significant balance of system components cost reductions in large arrays. We offer solar panels that use micro-inverters designed to eliminate the need to mount or assemble additional components on the roof or the side of a building and enable optimization and monitoring at the solar panel level to ensure maximum energy production by the solar system.

Our all-in-one solutions include a full suite of solar power systems including storage, software, and services. Our RLC segment offers its solutions in three distinct categories to Residential, Light Commercial, and New Homes. Our comprehensive platform is designed to drive loyalty, and potential gross margin growth. This Power of One® platform is a key element of our strategy to attack the "long-tail" of the market. Our complete, all-in-one solutions generate favorable customer reviews.

OneRoof™

Our latest roofing system, OneRoof™, is a Class A fire-rated, UL-certified roofing system that replaces concrete roofing tiles for a fully integrated roof-plus-solar solution. With flexible design configurations, integrated panel clips, and built-in grounding, installation is simple and designed specifically for new homes. With direct-to-deck attachments, self-aligning modules, and snap-in-place module attachments, OneRoof™ installs two to three times faster than conventional mounting. Kynar-coated metal components add a rugged layer of roof protection that lasts longer than typical composite shingles and are covered by our 25-year Complete Confidence Warranty. OneRoof™

sits seamlessly with the rest of the roof for a sleek, low-profile look with virtually no visible parts. Interlocking flashings and pans with individually sealed screws create a watertight barrier against harsh conditions— including wind-driven rain. Our OneRoof™ system is watertight, Class A fire-rated and built to last. And for extra peace of mind, our Complete Confidence Warranty covers products, parts, and service for 25 years, monitoring hardware for 10 years and the Kynar-coated-steel finish for 5 years. OneRoof™ is the only roof-integrated solar system, paired with the world's best solar. The solution is designed specifically for new construction, generally installs much faster than conventional solar, and is cost efficient by replacing roof materials.

SunVault™ Storage

Our new SunVault™ storage solution is primarily designed for residential customers and its two-box solution fits in indoor or outdoor areas. Homeowners get seamless backup power during an outage and the system provides the flexibility to manage energy as they deem fit. SunVault™ storage integrates with SunPower solar systems, creating the only home solar + storage solution designed, installed, and warranted by one company. Its intelligent software shifts when drawing power from the grid, maximizing the use of solar, as well as provides real-time updates as to home solar usage and storage, through customized settings. With only 0.1% of homes in the United States having storage and power outages continuing to rise, our storage solutions provide an attractive way to use solar.

Flexible Financing Options

We have a long track record of attracting low-cost capital from diverse sources, including tax equity and debt investors. Since inception we have raised tax equity investment funds to finance the installation of solar energy systems.

Advances in financing are playing a big part in driving increased profits and dealer loyalty. We sell our residential solar energy solutions to end customers through a variety of means, including cash and financed systems sales directly to end customers and sales to resellers, including our third-party dealer network.

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

Commercial Roof, Carport, and Ground Mounted Systems

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

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

We offer parking lot structures designed specifically for SunPower panels, balance of system components, and inverters and in 2015 expanded our capability to design and install innovative solar structures and systems for carport applications. These systems are typically custom design-build projects that utilize standard templates and design best practices to create a solution tailored to unique site conditions. SunPower's highest efficiency panels are especially well suited to stand-alone structures, such as those found in parking lot applications, because our systems require less steel and other materials per unit of power or energy produced as compared with our competitors.

Community Solar

SunPower's Community Solar program is a way for customers to obtain the benefits of solar without having any panels installed on their roofs. This enables people who live in apartments, condominiums, and other residences to go solar. These customers are part of a community of solar energy supporters who obtain their power from large solar projects built within their utility district rather than from panels on their respective rooftops.

SunPower has a large commercial and residential customer base to leverage opportunities to expand our community solar footprint. We believe our community solar market offering fits well into long-term growth strategy, and provides a significant opportunity for growth by leveraging the existing installation base and software platform.

Supply

The solar power panels used in our systems and solutions are entirely sourced from Maxeon Solar during the exclusivity period under the terms of the supply agreement that we entered into with Maxeon Solar in connection with the Spin-Off.

We also work with our suppliers and partners to ensure the reliability of our supply chain. We have contracted with some of our suppliers for multi-year supply agreements, under which we have annual minimum purchase obligations. For more information about our purchase commitments and obligations, see "Liquidity and Capital Resources—Contractual Obligations" and "Note 10. Commitments and Contingencies" in the Notes to the consolidated financial statements in this Annual Report on Form 10-K.

Technology

Smart Energy

We see "Smart Energy" as a way to harness our world's energy potential by connecting the most powerful and reliable solar systems on the market with an increasingly vast array of actionable data that can help our customers make smarter decisions about their energy use. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings, and grids—all personalized through easy-to-use customer interfaces. In order to enhance the portfolio of Smart Energy solutions we offer, we plan to continue to invest in integrated technology solutions to help customers manage and optimize their CCOE measurement.

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

Inverters

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

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

Warranties

SunPower provides a workmanship warranty of up to 25 years from installation and a 25-year standard warranty for previously SunPower-manufactured microinverters. We also warrant our installed systems for defective materials and workmanship for periods ranging up to 25 years as well as provide a separate system output performance warranty to customers that have subscribed to our post-installation monitoring and maintenance services. We pass through to customers warranties from the original equipment manufacturers of certain system components such as solar panels, monitoring equipment and inverters. For such components, our warranties may exceed the warranty coverage from the original equipment manufacturers. For solar energy systems we do not install directly, we receive workmanship warranties from our solar partners.

Customers

Our scope and scale allow us to deliver solar solutions across all segments, ranging from consumer homeowners to the largest commercial and governmental entities. Our customers typically include investors, financial institutions, project developers, electric utilities, independent power producers, commercial and governmental entities, production home builders, residential owners, and small commercial building owners. We leverage a combination of direct sales as well as a broad partner ecosystem to efficiently reach our global customer base.

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

Competition

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

- GAF Energy, Hyundai Heavy Industries Co. Ltd., NRG Energy, Inc., Panasonic Corporation, REC Group, SunRun, Inc., Sunnova Energy International Inc., Tesla, Inc., Borrego, EDF Renewables, Mortenson, Ameresco, and Standard Solar.

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

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

We believe that the key competitive factors in the market for solar energy management solutions, including systems, storage, and software are:

- total system price;
- levelized cost of energy (LCOE) evaluation;
- customer cost of energy (CCOE) evaluation;
- power, efficiency, and performance under realistic operating conditions;
- aesthetic appearance of solar panels and systems;
- wind, snow, and structural load capability;

- speed and ease of installation through modular solutions such as our Helix system;
- dealer and installer training and operational excellence;
- high-productivity sales and commissioning software tools for dealers;
- leveraging extensive fleet data for reliability;
- engagement with end customer community;
- strength of distribution relationships;
- availability of third-party financing and investments;
- established sales channels to customers;
- bankability, strength, and reputation of our company; and
- warranty protection, quality, and customer service.

We believe that we can compete favorably with respect to each of these elements, although we may be at a disadvantage in comparison to larger companies with broader product lines, greater technical service, and support capabilities, and financial resources. For more information on risks related to our competition, please see the risk factors set forth under the caption ''Item 1A. Risk Factors'' including ''Risks Related to Our Sales Channels—*The increase in the global supply of solar cells and panels, and increasing competition, may cause substantial downward pressure on the prices of such products, limiting our ability to sell our differentiated panels at a premium, causing us to lose sales or market share, resulting in lower revenues, earnings, and cash flows*.''

Intellectual Property

We rely on a combination of patent, copyright, trade secret, trademark, and contractual protections to establish and protect our proprietary rights. ''SunPower'' and the ''SunPower'' logo are our registered trademarks in countries throughout the world for use with solar cells, solar panels, energy monitoring systems, inverters, and mounting systems. We also hold registered trademarks for, among others, ''SunPower Equinox,'' ''SunPower Giving,'' ''SunPower Horizons,'' ''Bottle the Sun,'' ''Demand Better Solar,'' ''EDDiE,'' ''EnergyLink,'' ''Equinox,'' ''Experiential Learning. Expanding Opportunities.,'' ''Helix,'' ''InvisiMount,'' ''Light on Land,'' ''PowerGuard,'' ''PowerLight,'' ''Powering a Brighter Tomorrow,'' ''Smarter Solar,'' ''Solar Showdown,'' ''Sol,'' ''SunTile,'' ''SunVault,'' ''OneRoof,'' ''The Planet's Most Powerful Solar,'' and ''The Power of One'' in certain countries. We are seeking and will continue to seek registration of the ''SunPower'' trademark and other trademarks in additional countries as we believe is appropriate. As of January 3, 2021, we held registrations for 26 trademarks in the United States, and had 6 trademark registration applications pending. We also held 26 trademark registrations and had no trademark applications pending in foreign jurisdictions. We typically require our business partners to enter into confidentiality and non-disclosure agreements before we disclose any sensitive aspects of our solar cells, technology, or business plans. We typically enter into proprietary information agreements with employees, consultants, vendors, customers, and joint venture partners.

We own multiple patents and patent applications that cover aspects of the technology in the solar panels, mounting products, and electrical and electronic systems that we sell. We continue to file for and receive new patent rights on a regular basis. The lifetime of a utility patent typically extends for 20 years from the date of filing with the relevant government authority. We assess appropriate opportunities for patent protection of those aspects of our technology, designs, methodologies, and processes that we believe provide significant competitive advantages to us, and for licensing opportunities of new technologies relevant to our business. As of January 3, 2021, we held 565 patents in the United States (353 licensed to Maxeon Solar Technologies, Ltd.), which will expire at various times through 2039, and had 200 U.S. patent applications pending (152 licensed to Maxeon Solar Technologies, Ltd.). We also held 149 patents and had 50 patent applications pending in foreign jurisdictions. While patents are an important element of our intellectual property strategy, our business as a whole is not dependent on any one patent or any single pending patent application. We additionally rely on trade secret rights to protect proprietary information and know-how. We therefore typically require employees and consultants to enter into confidentiality agreements to protect them.

When appropriate, we enforce our intellectual property rights against other parties. For more information about risks related to our intellectual property, please see the risk factors set forth under the caption ''Item 1A. Risk

Factors'' including ''Risks Related to Our Intellectual Property—*We depend on our intellectual property, and we may face intellectual property infringement claims that could be time-consuming and costly to defend and could result in the loss of significant rights*,'' ''Risks Related to Our Intellectual Property—*We rely substantially upon trade secret laws and contractual restrictions to protect our proprietary rights, and, if these rights are not sufficiently protected, our ability to compete and generate revenue could suffer*,'' and ''Risks Related to Our Intellectual Property—*We may not obtain sufficient patent protection on the technology embodied in the solar products we currently manufacture and market, which could harm our competitive position and increase our expenses.''*

Regulations

Public Policy Considerations

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

In addition to the mechanisms described above, new market development mechanisms to encourage the use of renewable energy sources continue to emerge. For example, many states in the United States have adopted (and subsequently expanded) renewable portfolio standards which mandate that a certain portion of electricity delivered to customers come from eligible renewable energy resources. Some states additionally mandate that a certain portion of that eligible renewable energy must be distributed generation. In addition, many states have adopted community solar programs and energy storage mandates. For more information about how we avail ourselves of the benefits of public policies and the risks related to public policies, please see the risk factors set forth under the caption ''Item 1A. Risk Factors'' including ''Risks Related to Our Sales Channels—*The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our financial results*,'' ''Risks Related to Our Sales Channels—*Existing regulations and policies and changes to these regulations and policies may present technical, regulatory, and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services*,'' and ''*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows*.''

Environmental Regulations

We use, generate, and discharge toxic, volatile, or otherwise hazardous chemicals and wastes in our research and development, and construction activities. We are subject to a variety of U.S. federal and state laws and regulations related to the purchase, storage, use, and disposal of hazardous materials. We believe that we have all environmental permits necessary to conduct our business and expect to obtain all necessary environmental permits for future activities. We believe that we have properly handled our hazardous materials and wastes and have appropriately remediated any contamination at any of our premises. We are currently not subject to any litigation pertaining to environment regulations and cost of compliance with applicable regulations is expected to be commensurate with our historical spend and other companies in the industry.

In addition to the Company's existing environmental compliance initiatives, we have also appointed new roles and engaged additional resources to provide comprehensive oversight, and reporting, of the Environmental, Social and Governance (''ESG'') components across all processes and business units. Additionally, as part of our commitment to energy sustainability, we are targeting to publish our sustainability report during the second quarter of fiscal 2021. This report will describe the Company's energy sustainability strategies and address other environmental matters such as waste minimization, minimization of impact on natural resources, and recycling.

Information concerning certain limited activities related to Iran

All the information concerning the activities of our affiliate TOTAL SE and its affiliated companies (collectively, the ''Total Group'') related to Iran that took place in 2020 provided in this section is disclosed pursuant to Section 13(r) of the Securities Exchange Act of 1934, as amended (the ''U.S. Exchange Act'').

The Total Group believes that these activities are not subject to sanctions under applicable international economic sanctions regimes, including those adopted by the United States and the European Union.

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

Statements in this section concerning affiliates of TOTAL SE intending or expecting to continue activities described below are subject to such activities continuing to be permissible under applicable international economic sanctions regimes and are based on information provided to us by the Total Group.

Exploration & Production

The Tehran branch office of Total E&P South Pars S.A.S. (a wholly-owned subsidiary), which opened in 2017 for the purposes of the development and production of phase 11 of the South Pars gas field, ceased all operational activities prior to November 1, 2018. In addition, since November 2018, Total Iran BV maintains a local representative office in Tehran with four employees solely for non-operational functions.

Concerning payments to Iranian entities in 2020, Total Iran BV and Elf Petroleum Iran collectively made payments of approximately IRR 5.42 billion (approximately €115,007(converted using the average exchange rate for fiscal year 2020, as published by the Central Bank of Iran.)) to the Iranian administration for taxes and social security contributions concerning the staff of this representative office. None of these payments were executed in US dollars.

Since November 30, 2018, Total E&P UK Limited (''TEP UK''), a wholly owned subsidiary, holds a 1% interest in a joint-venture relating to the Bruce field in the United Kingdom (the ''Bruce Field Joint-Venture'') with Serica Energy (UK) Limited (''Serica'') (98%, operator) and BP Exploration Operating Company Limited (''BPEOC'') (1%), following the completion of the sale of 42.25% of TEP UK's interest in the Bruce Field Joint-Venture on November 30, 2018 pursuant to a sale and purchase agreement dated August 2, 2018 entered into between TEP UK and Serica.

The Bruce Field Joint-Venture is party to an agreement governing certain transportation, processing, and operation services provided to another joint-venture at the Rhum field in the UK (the ''Bruce Rhum Agreement''). The licensees of the Rhum field are Serica (50%, operator) and the Iranian Oil Company UK Ltd (''IOC UK''), a subsidiary of NIOC (50%), an Iranian government-owned corporation. Under the terms of the Bruce Rhum Agreement, the Rhum field owners pay a proportion of the operating costs of the Bruce field facilities calculated on a gas throughput basis.

In November 2018, the US Treasury Department's Office of Foreign Asset Control (''OFAC'') granted a conditional license to BPEOC and Serica authorizing provision of services to the Rhum field following the re-imposition of US secondary sanctions. The principal condition of the license is that the ownership of shares in IOC UK by Naftiran Intertrade Company Limited (the trading branch of the NIOC) are transferred into and held in a Jersey-based trust, thereby ensuring that the Iranian government does not derive any economic benefit from the Rhum field so long as US sanctions against these entities remain in place. IOC UK's interest is managed by an independent management company established by the trust and referred to as the ''Rhum Management Company'' (''RMC''). Where necessary TEP UK liaises with RMC in relation to the Bruce Rhum Agreement and TEP UK expects to continue liaising with RMC on the same basis in 2021.

In January 2021, OFAC renewed the conditional license to Serica authorizing the provision of services to the Rhum field, until January 31, 2023, subject to early termination if the trust arrangements described above should terminate. In addition, OFAC confirmed that, to the extent that the license remains valid and Serica represents that the conditions set out in the license are met, activities and transactions of non-US persons involving the Rhum field or the Bruce field, including in relation to the operation of the trust, IOC UK and RMC will not be exposed to US secondary sanctions with respect to Iran.

IOC UK's share of costs incurred under the Bruce Rhum Agreement have been paid to TEP UK in 2020 by RMC. In 2020, based upon TEP UK's 1% interest in the Bruce Field Joint Venture and income from the net cash flow sharing arrangement with Serica, gross revenue to TEP UK from IOC UK's share of the Rhum field resulting from the Bruce Rhum Agreement was approximately £5.18 million. This amount was used to offset operating costs on the Bruce field and as such, generated no net profit to TEP UK. TEP UK expects to continue this activity in 2021.

TEP UK is also party to an agreement with Serica whereby TEP UK uses reasonable endeavors to evacuate Rhum NGL from the St Fergus Terminal (the "Rhum NGL Agreement"). TEP UK provides this service subject to Serica having title to all of the Rhum NGL to be evacuated and Serica having a valid license from OFAC for the activity. The service is provided on a cost basis, and TEP UK charges a monthly handling fee that generates an income of approximately £35,400 per annum relating to IOC UK's 50% stake in the Rhum field. After costs, TEP UK realizes little profit from this arrangement. TEP UK expects to continue this activity in 2021.

Gas, Renewables & Power

In 2020, Total Direct Energie, a wholly owned subsidiary, supplied electricity to the Iranian Embassy in Paris (France). This activity generated a gross turnover of €41,997 and a net margin of € approximately 2,650 in 2020. The Total Group expects to continue this activity in 2021.

Marketing & Services

In 2020, Total Marketing France ("TMF"), a wholly owned subsidiary, provided fuel payment cards to be used in the Total Group's service stations to the Iranian embassy and the Iranian delegation to UNESCO located in Paris (France). This activity generated a gross turnover of approximately €17,500 and a net profit of approximately €1,900 in 2020. TMF does not expect to continue this activity in 2021.

In 2020, Total Belgium, a wholly owned subsidiary, provided fuel payment cards to be used in the Total Group's service stations to the Iranian embassy located in Brussels (Belgium). This activity generated a gross turnover of approximately €8,500 and a net profit of approximately €1,300 (without tax) in 2020. Total Belgium expects to continue this activity in 2021.

Patents & Trademarks

The Total Group paid approximately €5,000 to Iranian authorities related to various patents. These patents have since been abandoned so that no payment should be made in 2021. In addition, the Total Group could make small payments in 2021 to Iranian authorities related to the maintenance and protection of trademarks and designs in this country. These payments are made in accordance with US regulation (Section 560.509 of the Iranian Transactions and Sanctions Regulations).

Human Capital Management

SunPower had a team of about 2,200 full-time employees worldwide as of January 3, 2021. About 1,300 of these employees are located in the United States, and about 900 are located in the Philippines. Of these employees, approximately 1,260 were engaged in construction projects, 170 in research and development, 300 in sales and marketing, 300 in general and administrative services, and 170 in manufacturing. Our employees are not represented by labor unions on an ongoing basis, we have not experienced a work stoppage, and we believe our relations with our employees to be good. Our employees who are engaged in manufacturing are all located at our Hillsboro, Oregon manufacturing facility, and will be terminated due to the facility closure as announced on January 7, 2021. See also "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 19. *Subsequent Events*.

We have a strong management team, and believe they have the right experience to effectively implement our growth strategies and lead SunPower for long-lasting success.

How SunPower develops, attracts and retains personnel

With our mission To Change the Way Our World is Powered, we work to attract top talent to join the SunPower team. Given the technical nature of our business, our success depends on our ability to attract and retain skilled employees through a focus on university recruiting, experienced mid-career talent, and working with technical trade partners. We are dedicated to creating a diverse, inclusive, and safe work environment where each person delivers their best every day. We believe our work environment fosters a rich, equitable culture that allows us to make an impact on our world.

SunPower employees are responsible for understanding our vision and values, and how their actions support the achievement of our vision on a daily basis. We drive high levels of performance and improvement on a quarterly basis through our long-standing tradition of management by objective, with a clear link back to our core values: Deliver a Superior experience, Be Accountable, Do The Right Thing, Innovate Relentlessly, and Act Fast and Nimble. Our employees generally receive feedback and coaching from their managers on at least a quarterly basis, ensuring ongoing development and providing opportunities to outline career aspirations and development plans.

Attraction and retention of key employees contributes to our ability to remain competitive, and we have a comprehensive total rewards system to help ensure we are compensating and rewarding our employees in line with market practice, providing a competitive benefits programs, and providing flexibility through programs like our Volunteer Time Off initiative. Our pay for performance philosophy helps align employee interests with those of our stockholders by rewarding achievements that meet or exceed corporate goals, and grants of stock-based awards under our 2015 Omnibus Incentive Plan are intended to align compensation with the price performance of our common stock.

The importance of diversity, equity, and inclusion

SunPower is an equal opportunity employer, and we are committed to maintaining a diverse and inclusive work environment, and creating a strong culture of diversity, equity, and inclusion.

Our differences make us stronger. We are diverse in race, ethnicity, gender, age, sexual orientation, faith, veteran status, ability, and much more. We celebrate these differences. The way we identify ourselves also extends beyond these foundations to diversity of thought and perspective, a range of approaches to problem-solving, and different life experiences. The value we place on diversity is reflected in the way we treat each other and our communities.

Together we are powerful. The power of inclusion is in valuing everyone and their unique contribution. It is important for all our employees to be respected, welcomed, and feel that they are part of something bigger. A culture of inclusion leads to more innovation, healthier working relationships, better decision-making, more fulfilled employees, a better ability to serve our customers, and ultimately a company that does well by doing good.

We lead with intention. SunPower values diversity of all kinds, and our people and leadership are encouraged to foster inclusion. Our leaders are expected to lead by example. This starts with building awareness on the part of every SunPower employee and holding ourselves accountable. We are committed to never stop listening, learning, and improving.

More information about SunPower's diversity, equity, and inclusion programs is available on our website.

A strong safety culture

We are committed to protecting the environment, providing a safe workplace, and protecting the health and safety of our employees, contractors, customers, and other stakeholders. We pursue continual improvement by setting targets and objectives to promote health and safety while aiming to conserve natural resources, minimize waste, and provide an environmentally friendly workplace. We work to ensure that all jobs and processes are planned and performed in a safe, healthy, and environmentally friendly manner.

The health and safety of our employees and contractors continues to be a top priority even more so with the onset of the COVID-19 pandemic. In an effort to protect our employees and contractors, we took and continue to take proactive and aggressive actions, starting with the earliest signs of the outbreak to adopt social distancing policies at all our locations, including working from home and suspending travel. We transitioned to work from home with flexible work policies, and most of our non-installation workforce has been working from home since March 2020, and is expected to continue to do so until at least July 2021.

Seasonal Trends and Economic Incentives

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

Available Information

We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (the ''Exchange Act'') free of charge on our website at www.sunpower.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The contents of our website are not incorporated into, or otherwise to be regarded as part of this Annual Report on Form 10-K. Copies of such material may be obtained, free of charge, upon written request submitted to our corporate headquarters: SunPower Corporation, Attn: Investor Relations, 51 Rio Robles, San Jose, California, 95134. Copies of materials we file with the SEC may also be accessed on the SEC's website at www.sec.gov.

ITEM 1A. *RISK FACTORS*

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

RISK FACTOR SUMMARY

The following is a summary of the principal risks that could materially adversely affect our business, results of operations, cash flows, and financial condition:

Risks Related to COVID-19 Pandemic

- *The COVID-19 pandemic and associated economic and other impacts adversely affected our business, results of operations, cash flows, and financial condition, as well as the business, results of operations, cash flows, and financial condition of many of our suppliers, dealers, and customers. We are unable to predict the extent to which the pandemic and related impacts will continue to adversely affect our business, results of operations, cash flows, financial condition, and the achievement of our strategic objectives.*

Risks Related to the Spin-Off

- *If the distribution of Maxeon Solar ordinary shares in the Spin-off does not qualify as a tax-free distribution under the Internal Revenue Code, then the distribution could be treated as a dividend to our stockholders and we could have a potential withholding obligation with respect to that dividend and under certain circumstances we may have indemnification obligations to Maxeon Solar.*
- *The Spin-Off may not achieve some or all of the anticipated benefits.*
- *We may have divergent interests with respect to the transition services agreement and other ancillary agreements that we entered into with Maxeon Solar, which could negatively impact the scope, duration or effectiveness of such agreements in a manner that negatively impacts our business and operations.*
- *We might not be able to engage in certain strategic transactions because we have agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free spin-off.*

Risks Related to Our Sales Channels

- *Our results of operations are subject to significant fluctuations and are inherently unpredictable.*
- *Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows.*
- *The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our projects, including our residential lease and loan programs, and is affected by general economic conditions and other factors.*
- *If we fail to successfully execute our cost reduction roadmap, or fail to develop and introduce new and enhanced products and services, we may be unable to compete effectively, and our ability to generate revenues, cash flows and profits would suffer.*
- *The increase in the global supply of solar cells and panels, and increasing competition, may cause substantial downward pressure on the prices of such products, limiting our ability to sell our differentiated panels at a premium, causing us to lose sales or market share, resulting in lower revenues, earnings, and cash flows.*
- *The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our business results.*
- *Existing regulations and policies and changes to these regulations and policies may present technical, regulatory, and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services.*

- *We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business results.*
- *We do not typically maintain long-term agreements with our customers and accordingly we could lose customers without warning, which could adversely affect our business results.*
- *Our business could be adversely affected by seasonal trends and construction cycles.*
- *The competitive environment in which we operate often requires us to undertake customer obligations or provide indemnifications, which may turn out to be costlier than anticipated and, in turn, materially and adversely affect our business, results of operations, cash flows, and financial condition.*

Risks Related to Our Supply Chain

- *We depend on Maxeon Solar as a sole source supplier for certain critical components and products, including our solar cells and modules. Any supply interruption or delay could adversely affect our business. In addition, we continue to be dependent on limited third-party suppliers for certain raw materials and other components for our products. Supply delays or interruptions could prevent us from delivering products to our customers within required timeframes, and could in turn result in sales and installation delays, cancellations, penalty payments, and loss of market share.*
- *We utilize construction loans, term loans, sale-leaseback, partnership flip, preferred equity, and other financing structures to fund acquisition, development, construction, and expansion of certain solar projects, and such funds may or may not continue to be available as required to further our plans. Furthermore, such project financing increases our consolidated debt and may be structurally senior to other debt such as our outstanding convertible debentures.*

Risks Related to Our Operations

- *If we have quality issues with our solar and related products, our sales could decrease and our relationships with our customers and our reputation may be harmed.*
- *A change in the solar investment tax credit could adversely affect our business, revenues, margins, results of operations, and cash flows.*
- *If we cannot offer residential lease customers an attractive value proposition due to an inability to continue to monetize tax benefits in connection with our residential lease arrangements, an inability to obtain financing for our residential lease programs, challenges implementing our third-party ownership model in new jurisdictions, declining costs of retail electricity, or other reasons, we may be unable to continue to increase the size of our residential lease program, which could have a material adverse effect on our business, results of operations, cash flows, and financial condition.*
- *We act as the general contractor for many of our customers in connection with the installations of our solar power systems and are subject to risks associated with construction, cost overruns, delays, and other contingencies tied to performance bonds and letters of credit, indemnifications, or other required credit and liquidity support guarantees, any of which could have a material adverse effect on our business, cash flows, and results of operations.*

Risks Related to COVID-19 Pandemic

The COVID-19 pandemic and associated economic and other impacts adversely affected our business, results of operations, cash flows, and financial condition, as well as business, results of operations, cash flows, and financial condition of many of our suppliers, dealers, and customers. We are unable to predict the extent to which the pandemic and related impacts will continue to adversely affect our business, results of operations, cash flows, and financial condition, and the achievement of our strategic objectives.

The COVID-19 pandemic has had an adverse impact on most aspects of our business, results of operations, cash flows, and financial condition, and the impact is ongoing and will likely continue. The pandemic has affected our employees and their ability to work, our ability to conduct our business operations around the globe, demand for our products, our supply chains, the ability of some of our customers to purchase and pay for our products, and caused us to reallocate and prioritize our planned spending in our strategic initiatives. These impacts are substantial and may make it more difficult for us to generate cash flow to meet our own obligations under the terms of our outstanding indebtedness.

Employees. The safety and well-being of our employees is paramount and could impact our ability to address the uncertainties associated with the COVID-19 pandemic. We have modified our business practices in response to the pandemic, instituting health and safety measures such as limiting employee travel, implementing social distancing and remote work measures, and cancelling physical participation in meetings, events, and conferences. Despite these efforts, such measures may not be sufficient to mitigate the risks posed by the COVID-19 pandemic to our employees, dealers, customers, and suppliers. Our employees may be unable to work effectively due to sheltering-in-place arrangements, illness, quarantine, travel restrictions, lack of public transportation, or other restrictions required by government authorities or that we determine are in the best interests of our employees, which may harm our business, results of operations, cash flows, and financial condition.

Adverse manufacturing, supply, and strategic transaction and investment impacts. The COVID-19 pandemic is adversely affecting, and is expected to continue to adversely affect, our business and operations, including our manufacturing operations, bookings, and sales, and may adversely affect our ability to continue to invest in all of our planned research and development and other initiatives. In addition, new governmental orders and restrictions may be issued in some locations if the pandemic recurs or worsens. During a prolonged reduction in manufacturing operations or demand, the business and financial condition of our suppliers and customers may deteriorate, resulting in liquidity challenges, bankruptcies, permanent discontinuation of operations, or an inability to make timely deliveries or payments to us. Our suppliers and vendors may also request new or changed credit terms, which could effectively increase the prices we pay for raw materials and supplies and affect our cash flows.

Decline in demand for products. We have experienced, and expect to continue to experience, a decline in demand for our solar panels in light of the global economic slowdown caused by the COVID-19 pandemic and the associated decrease in consumer spending, which we expect will have a near-term adverse impact on our business, results of operations, financial condition, and cash flows. Additionally, if credit markets become more challenging, customers may be unable or unwilling to finance the cost of our products, and the parties that have historically provided this financing may cease to do so, or only do so on terms that are substantially less favorable for our customers, any of which could adversely affect our revenue and growth of our business. Cancellations or rescheduling of customer orders could result in the delay or loss of anticipated sales without allowing us sufficient time to reduce, or delay the incurrence of, our corresponding inventory and operating expenses. In addition, changes in forecasts or the timing of orders from these or other customers expose us to the risks of inventory shortages or excess inventory.

Impacts on our ability to meet our own financial commitments. Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flows. In light of reduced demand and general economic uncertainty related to the COVID-19 pandemic, we cannot assure you that our business will generate cash flows from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our debt and to fund other liquidity needs. If we are unable to generate sufficient cash flows to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. There can be no assurance that we will be successful in any sale of assets, refinancing, restructuring, or capital raising effort.

Impact on other risks inherent in our business. The overall effect that the COVID-19 pandemic will have on our business, results of operations, cash flows, and financial condition will depend on future developments, including the ultimate duration and scope of the pandemic, the timing of lifting or easing of various governmental restrictions, the impact on our suppliers, dealers, and customers, and how quickly economic conditions, operations, and the demand for our products return to prior levels.

In addition to the risks described above, the pandemic and associated economic and other impacts may also have the effect of heightening the other risks described in this risk factors section; in particular, see the "Risks Related to our Sales Channels," "Risks Related to our Liquidity," "Risks Related to our Supply Chain," and "Risks Related to our Operations." The ultimate effect that the pandemic may have on our results of operations is not presently known to us or may present unanticipated risks that cannot be determined at this time.

Risks Related to the Spin-Off

If the distribution of Maxeon Solar ordinary shares in the Spin-Off does not qualify as a tax-free distribution under the Internal Revenue Code, then the distribution could be treated as a dividend to our stockholders and we could have a potential withholding obligation with respect to that dividend and under certain circumstances we may have indemnification obligations to Maxeon Solar.

We received a tax opinion from our counsel as to the tax-free nature of the Spin-Off to our stockholders. We did not obtain a private letter ruling from the IRS with respect to the distribution of Maxeon Solar ordinary shares and instead are relying solely on the tax opinion for comfort that the distribution qualifies for tax-free treatment to our stockholders for U.S. federal income tax purposes under the Internal Revenue Code.

The tax opinion was based on, among other things, certain undertakings made by us and Maxeon Solar, as well as certain representations and assumptions as to factual matters made by parties to the distribution. The failure of any factual representation or assumption to be true, correct, and complete, or any undertaking to be fully complied with, could affect the validity of the tax opinion. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the conclusions set forth in the tax opinion. In addition, the tax opinion was based on current law, and cannot be relied upon if current law changes with retroactive effect.

If the Spin-Off distribution does not qualify as a tax-free distribution to our stockholders under Section 355 of the Internal Revenue Code, then the distribution could be treated as a dividend to our stockholders, and we could have a potential withholding obligation with respect to such dividend, and we could be required to indemnify Maxeon Solar for any taxes and related costs if the failure of the distribution to so qualify is the result of certain actions or misrepresentations by us, but we will not be required to indemnify any of our stockholders. In the event we are required to indemnify Maxeon Solar for taxes incurred in connection with the Spin-Off, the indemnification obligation could have a material adverse effect on our business, results of operations, financial conditions, and cash flow.

The Spin-Off may not achieve some or all of the anticipated benefits.

We may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the Spin-Off. We cannot predict with certainty when the benefits expected from the Spin-Off will occur or the extent to which they will be achieved. Our operational and financial profile changed following the completion of the Spin-Off, and we face new risks. As a smaller, less-diversified company with narrower business focus, we may be more vulnerable to changing market conditions, which could materially and adversely affect our business, results of operations, cash flows, and financial condition.

Following the Spin-Off, each of SunPower and Maxeon Solar operate as an independent publicly-traded company with its own business goals, objectives and commercial relationships.

Following the Spin-Off, we and Maxeon Solar operate as independent publicly-traded companies. Accordingly, our business goals, objectives, and commercial relationships are different from those of Maxeon Solar. In that respect, we may not have exclusive access to next-generation solar cells and panels that may be produced by Maxeon Solar, including Maxeon 5 solar cells and A-Series (Maxeon 5) modules, following the applicable exclusivity periods in the supply agreement we entered into with Maxeon, which could have an adverse effect on our business, results of operations, cash flows, and financial condition and our ability to execute our business strategy.

We may have divergent interests with respect to the transition services agreement and other ancillary agreements that we entered into with Maxeon Solar, which could negatively impact the scope, duration or effectiveness of such agreements in a manner that negatively impacts our businesses and operations.

We and Maxeon Solar entered into a transition services agreement and other ancillary agreements in connection with the Spin-Off pursuant to which we and Maxeon Solar are providing each other, on an interim, transitional basis, various services related to finance, accounting, business technology, human resources information systems, human resources, facilities, document management and record retention, relationship and strategy management and module operations, technical and quality support. Nevertheless, our interests and those of Maxeon Solar could differ with respect to these agreements, which could negatively impact the scope, duration or effectiveness of such agreements. In addition, if we or Maxeon Solar do not satisfactorily perform our obligations under these agreements, the non-performing party may be held liable for any resulting losses suffered by the other party. Also, during the periods of these agreements, our management and employees may be required to divert their attention away from our and their respective business in order to provide services pursuant to the agreements. Any of these factors could negatively impact our business and operations.

We might not be able to engage in certain strategic transactions because we have agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free spin-off.

To preserve the intended tax treatment of the distribution of Maxeon Solar ordinary shares in the Spin-Off, we are undertaking to comply with certain restrictions under current U.S. federal income tax laws for spin-offs, including (i) continuing to own and manage our historic business and (ii) limiting sales or redemptions of our common stock. These restrictions could prevent us from pursuing otherwise attractive business opportunities, result in our inability to respond effectively to competitive pressures, industry developments and future opportunities and may otherwise harm our business, results of operations, cash flows, and financial condition. If these restrictions, among others, are not followed, the Spin-Off distribution could be treated as dividend to our stockholders and subject us to a potential withholding tax obligation. In addition, we could be required to indemnify Maxeon Solar for any tax liability incurred by Maxeon Solar as a result of our non-compliance with these restrictions, and such indemnity obligations could be substantial.

Certain members of our Board of Directors and management may have actual or potential conflicts of interest because of their ownership of shares of Maxeon Solar and SunPower or their relationships with Maxeon Solar following the Spin-Off.

Certain members of our Board of Directors and management own shares of Maxeon Solar and/or options to purchase shares of Maxeon Solar, which could create, or appear to create, potential conflicts of interest when our directors and executive officers are faced with decisions that could have different implications for SunPower and Maxeon Solar.

Risks Related to Our Sales Channels

Our results of operations are subject to significant fluctuations and are inherently unpredictable.

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

- the amount, timing and mix of sales to our large commercial customers, often for a single medium- or large-scale project, may cause large fluctuations in our revenue and other results of operations because, at any given time, a single medium- or large-scale project can account for a material portion of our total revenue in a given quarter;
- our inability to monetize our projects as planned, or any delay in obtaining the required government support or initial payments to begin recognizing revenue under the relevant recognition criteria, and the corresponding revenue impact, may similarly cause large fluctuations in our revenue and other results of operations;
- our ability to monetize projects as planned is also subject to market conditions, including fluctuations in demand based on the availability of regulatory incentives and other factors, changes in the internal rate of return expected by customers in light of market conditions, the increasing number of power plants being constructed or available for sale, and competition for financing, which can make both financing and disposition more challenging and may significantly affect project sales prices;
- market conditions may deteriorate after we have committed to projects, resulting in delays in disposing of projects, or changes in amounts realized on disposition, which may lead to significant fluctuations in the period-over-period profile of our results of operations and our cash available for working capital needs;
- in the event a project is subsequently canceled, abandoned, or is deemed unlikely to occur, we will charge all prior capital costs as an operating expense in the quarter in which such determination is made, which could materially adversely affect results of operations;

- a delayed disposition of a project could require us to recognize a gain on the sale of assets instead of recognizing revenue;
- our agreements with these large significant customers may be canceled if we fail to meet certain product specifications or materially breach these agreements;
- in the event of a customer bankruptcy, our customers may seek to terminate or renegotiate the terms of current agreements or renewals; and
- the failure by any significant customer to pay for orders, whether due to liquidity issues or otherwise, could materially and adversely affect our results of operations.

Any decrease in revenue from our large commercial customers, whether due to a loss or delay of projects or an inability to collect, could have a significant negative impact on our business. See also ''Item 7A. Quantitative and Qualitative Disclosures About Market Risk.'' See also under this section ''Risks Related to Our Sales Channels—*Revenues from a limited number of customers and large projects are expected to continue to comprise a significant portion of our total revenues and any decrease in revenues from those customers or projects, payment of liquidated damages, or an increase in related expenses, could have a material adverse effect on our business, results of operations and financial condition.''*

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

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

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

We base our planned operating expenses in part on our expectations of future revenue and a significant portion of our expenses is fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would materially adversely affect our results of operations and cash flows for that quarter. See also under this section, ''Risks Related to Our Sales Channels—*Our business could be adversely affected by seasonal trends and construction cycles,*'' ''Risks Related to Our Sales Channels—*The reduction, modification or elimination of government incentives could cause our revenue to decline and harm our results of operations,*'' and ''Risks Related to Our Sales Channels—*Existing regulations and policies and changes to these regulations and policies may present technical, regulatory, and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services.*''

Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows.

On February 7, 2018, safeguard tariffs on imported solar cells and modules went into effect pursuant to Proclamation 9693, which approved recommendations to provide relief to U.S. manufacturers and impose safeguard tariffs on imported solar cells and modules, based on the investigations, findings, and recommendations of the U.S. International Trade Commission (the ''International Trade Commission''). Modules are subject to a four-year tariff at a rate of 30% in the first year, declining 5% in each of the three subsequent years, to a final tariff rate of 18% in 2021. Cells are subject to a tariff-rate quota, under which the first 2.5 GW of cell imports each year will be exempt from tariffs; and cells imported after the 2.5 GW quota has been reached will be subject to the same 30% tariff as modules in the first year, with the same 5% decline in each of the three subsequent years. The tariff-free cell quota applies globally, without any allocation by country or region.

The tariffs could materially and adversely affect our business, cash flows, and results of operations. While solar cells and modules based on interdigitated back contact (''IBC'') technology, like Maxeon Solar's X-Series (Maxeon 3), E-Series (Maxeon 2), A-Series (Maxeon 5), and related products were granted exclusion from these safeguard tariffs on September 19, 2018, solar products based on other technologies continue to be subject to the safeguard tariffs. Although we are actively engaged in efforts to mitigate the effect of these tariffs and we filed an assessment with the International Trade Commission that the existing quota on cells will eventually be insufficient to supply the domestic industry and should be increased, there is no guarantee that these efforts will be successful.

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

Trade tensions between China and the United States, the imposition of tariffs, and continuing uncertainty surrounding the trade and tariff environment have caused, and could continue to cause, market volatility, price fluctuations, supply shortages, and project delays, any of which could harm our business, and our pursuit of mitigating actions may divert substantial resources from other projects. In addition, future tariffs could materially increase the price of our solar products and result in significant additional costs to us, our resellers, and our resellers' customers, which could cause a significant reduction in demand for our solar power products and greatly reduce our competitive advantage.

The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our projects, including our residential lease and loan programs, and is affected by general economic conditions and other factors.

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

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

The availability of financing depends on many factors, including market conditions, tax rates, the demand for and supply of solar projects, and resulting risks of refinancing or disposing of such projects. It also depends in part on government incentives, such as tax incentives. In the long term, as we look toward markets not supported (or supported less) by government incentives, we will continue to need to identify financiers willing to finance residential solar systems without such incentives. Our failure to effectively do so could materially and adversely affect our business and financial results.

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

If we and our partners fail to successfully execute our cost reduction roadmap, or fail to develop and introduce new and enhanced products and services, we may be unable to compete effectively, and our ability to generate revenues, cash flows, and profits would suffer.

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

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

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

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

The increase in the global supply of solar cells and panels, and increasing competition, may cause substantial downward pressure on the prices of such products, limiting our ability to sell our differentiated panels at a premium, causing us to lose sales or market share, resulting in lower revenues, earnings, and cash flows.

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

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

The market for on-grid applications, where solar power is used to supplement a customer's electricity purchased from the utility network or sold to a utility under tariff, depends in large part on the availability and size of government mandates and economic incentives because, at present, the cost of solar power generally exceeds retail electric rates in many locations and wholesale peak power rates in some locations. Incentives and mandates vary by geographic market. Various government bodies in most of the countries where we do business have provided incentives in the form of feed-in tariffs, rebates, and tax credits and other incentives and mandates, such as renewable portfolio standards and net metering, to end-users, distributors, system integrators, and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependency on other forms of energy. These various forms of support for solar power are subject to change (as, for example, occurred in 2015 with Nevada's decision to change net energy metering; and in 2017 with California's adoption of new time-of-use rates that reduced the price paid to solar system owners for mid-day electricity production; and in 2020 with California's adoption of building standards requiring the installation of solar systems on new homes), and are expected in the longer term to decline. Even changes that may be viewed as positive (such as extensions of U.S. tax credits related to solar power) can have negative effects if they result, for example, in delaying purchases that otherwise might have been made before expiration or scheduled reductions in such credits. Governmental decisions regarding the provision of economic incentives often depend on political and economic factors that we cannot predict and that are beyond our control. The reduction, modification, or elimination of grid access, government mandates, or economic incentives in one or more of our customer markets would materially and adversely affect the growth of such markets or result in increased price competition, either of which could cause our revenue to decline and materially adversely affect our business and financial results.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory, and economic barriers to the purchase and use of solar power products, which may significantly reduce demand for our products and services.

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

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

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

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

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

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

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

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

We announced restructuring plans in February 2018 and December 2019 to realign and optimize workforce requirements in light of recent changes to our business, to reduce operating expenses and cost of revenue overhead in light of the known shorter-term impact of U.S. tariffs imposed on PV solar cells and modules pursuant to Section 201 of the Trade Act of 1974, and to broaden our initiatives to control costs and improve cash flow. While the February 2018 plan is substantially complete, and we expect the December 2019 plan to be substantially completed by end of 2022, additional actions may be costly and disruptive to our business, and we may not be able to obtain the cost savings and benefits that were initially anticipated in connection with our restructuring. Additionally, we may experience a loss of continuity, loss of accumulated knowledge, or inefficiency during transitional periods associated with our restructurings. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of the restructurings, it could have a material adverse effect on our competitive position, business, results of operations, financial condition, and cash flows. For more information about our restructuring plan, see "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 9. *Restructuring*."

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

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

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

Our business is subject to significant industry-specific seasonal fluctuations. Our sales have historically reflected these seasonal trends, with the largest percentage of our total revenues realized during the second half of each fiscal year. There are various reasons for this seasonality, mostly related to economic incentives, such as changes to the amount and timing of ITC, and weather patterns. For example, in the United States, many customers make purchasing decisions towards the end of the year in order to take advantage of tax credits. In addition, sales in the new home development market are often tied to construction market demands, which tend to follow national trends in construction, including declining sales during cold weather months.

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

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

- system output performance warranties;
- system maintenance;
- penalty payments or customer termination rights if the system we are constructing is not commissioned within specified time frames or other construction milestones are not achieved;
- guarantees of certain minimum residual value of the system at specified future dates;
- system put-rights whereby we could be required to buy back a customer's system at fair value on a future date if certain minimum performance thresholds are not met;
- indemnification for site damage or environmental impacts that we may be required to provide for certain commercial projects; and
- indemnification against losses customers may suffer as a result of reductions in benefits received under the solar commercial investment tax credit (''ITC'') and of the Treasury grant programs under Section 1603 of the American Recovery and Reinvestment Act.

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

Risks Related to Our Liquidity

We may be unable to generate sufficient cash flows or obtain access to external financing necessary to fund our operations and make adequate capital investments as planned due to the general economic environment and the continued market pressure driving down the average selling prices of our solar power products, among other factors.

To develop new products, support future growth, achieve operating efficiencies, and maintain product quality, we must make significant capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and process technology. In addition, we expect to invest a significant amount of capital to develop solar power systems for sale to customers. Developing and constructing solar power projects requires significant time and substantial initial investment. The delayed disposition of such projects, or the inability to realize the full anticipated value of such projects on disposition, could have a negative impact on our liquidity. See also under this section, ''Risks Related to Our Operations—*Project development or construction activities may not be successful and we may make significant investments without first obtaining project financing, which could increase our costs and impair our ability to recover our investments*'' and ''*Risks Related to Our Sales Channels—Revenues from a limited number of customers and large projects are expected to continue to comprise a significant portion of our total revenues and any decrease in revenues from those customers or projects, payment of liquidated damages, or an increase in related expenses, could have a material adverse effect on our business, results of operations and financial condition,*'' and ''*Changes in international trade policies, tariffs, or trade disputes could significantly and adversely affect our business, revenues, margins, results of operations, and cash flows.''*

Certain of our customers also require performance bonds issued by a bonding agency, or bank guarantees or letters of credit issued by financial institutions, which are returned to us upon satisfaction of contractual requirements. If there is a contractual dispute with the customer, the customer may withhold the security or make a draw under the security, which could have an adverse impact on our liquidity.

We manage our working capital requirements and fund our committed capital expenditures, including the development and construction of our planned solar power projects, with our current cash and cash equivalents, cash generated from operations, and funds available from our construction financing providers. Following our termination of the 2019 Revolver, we may be unable to find adequate credit support in replacement, on acceptable terms, or at all. In such case, our ability to obtain adequate amounts of debt financing may be harmed. The lenders under our credit facilities and holders of our debentures may also require us to repay our indebtedness to them in the event that our obligations under other indebtedness or contracts in excess of the applicable threshold amount, are accelerated and we fail to discharge such obligations. If our capital resources are insufficient to satisfy our liquidity requirements, for example, due to cross acceleration of indebtedness, we may seek to sell additional equity investments or debt securities or obtain other debt financings. Market conditions, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, or at all, and lenders may be unwilling to lend funds on acceptable terms, or at all. The sale of additional equity investments or convertible debt securities may result in additional dilution to our stockholders. Additional debt would result in increased expenses and could impose new restrictive covenants that may be different from those restrictions contained in the covenants under certain of our current debt agreements and debentures. Financing arrangements, including project financing for our solar power projects and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us. If additional financing is not available, we may be forced to seek to sell assets or reduce or delay capital investments, any of which could adversely affect our business, results of operations, cash flows, and financial condition.

If we cannot generate sufficient cash flows, find other sources of capital to fund our operations and projects, make adequate capital investments to remain technologically and price competitive, or provide bonding or letters of credit required by our projects, we may need to sell additional equity investments or debt securities, or obtain other debt financings. If adequate funds from these or and other sources are not available on acceptable terms or at all, our ability to fund our operations, develop and construct solar power projects, develop and expand our distribution network, maintain our research and development efforts, provide collateral for our projects, meet our debt service obligations, or otherwise respond to competitive pressures would be significantly impaired. Our inability to do any of the foregoing could have a material adverse effect on our business, results of operations, cash flows, and financial condition.

We have a significant amount of debt outstanding. Our substantial indebtedness and other contractual commitments could adversely affect our business, results of operations, cash flows, and financial condition, as well as our ability to meet our payment obligations under the debentures and our other debt.

We currently have a significant amount of debt and debt service requirements. As of January 3, 2021, we had approximately $638.5 million of outstanding debt.

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

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

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

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

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

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

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

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

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

Risks Related to Our Supply Chain

We depend on Maxeon Solar as a sole source supplier for certain critical components and products, including our solar cells and modules. Any supply interruption or delay could adversely affect our business. In addition, we continue to be dependent on limited third-party suppliers for certain raw materials and other components for our products. Supply delays or interruptions could prevent us from delivering products to our customers within required timeframes, and could in turn result in sales and installation delays, cancellations, penalty payments, and loss of market share.

In connection with the Spin-Off, we entered into a supply agreement pursuant to which Maxeon Solar will exclusively supply us with certain products (the ‘‘Supply Agreement’’), including solar cells and panels, for use in residential and commercial solar applications in the Domestic Territory (as defined in the Supply Agreement). The Supply Agreement has a two-year term, subject to customary early termination provisions triggered by a breach of the other party (with or without the right to cure depending on the breach) and insolvency events affecting the other party. Under the Supply Agreement, we are required to purchase, and Maxeon Solar is required to supply, certain minimum volumes of products during each calendar quarter of the term. The Supply Agreement also includes reciprocal exclusivity provisions that, subject to certain exceptions, will prohibit us from purchasing the products (or competing products) from anyone other than Maxeon Solar for the Domestic Territory. For products designated for installation on a residence or by a third party for the exclusive use of a specific customer, the exclusivity provisions will last until August 26, 2022 (or the entire initial term). For products designated for other applications (including multiple-user, community solar products), the exclusivity provisions will last until August 26, 2021. The exclusivity provisions will not apply to off-grid applications, certain portable or mobile small-scale applications (including applications where solar cells are integrated into consumer products), or power plant, front-of-the-meter applications where the electricity generated is sold to a utility or other reseller. Because Maxeon Solar is our sole supplier of such critical products, any delay or failure of Maxeon Solar to supply the necessary products, or supply such products in a manner that meets our quality and quantity requirements, could have a material adverse effect on our business, results of operations, cash flows, and financial condition.

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

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

We utilize construction loans, term loans, sale-leaseback, partnership flip, preferred equity, and other financing structures to fund acquisition, development, construction, and expansion of certain solar projects, and such funds may or may not continue to be available as required to further our plans. Furthermore, such project financing increases our consolidated debt and may be structurally senior to other debt such as our outstanding convertible debentures.

Certain of our subsidiaries and other affiliates are separate and distinct legal entities and, except in limited circumstances, have no obligation to pay any amounts due with respect to our indebtedness or indebtedness of other subsidiaries or affiliates, and do not guarantee the payment of interest on or principal of such indebtedness. Such subsidiaries may borrow funds to finance particular projects. In the event of a default under a project financing which we do not cure, the lenders or lessors generally have rights to the power plant project and related assets. In the event of foreclosure after a default, we may not be able to retain any interest in the power plant project or other collateral supporting such financing. In addition, any such default or foreclosure may trigger cross default provisions in our other financing agreements, including our corporate debt obligations, which could materially and adversely affect our financial condition. In the event of our bankruptcy, liquidation, or reorganization (or the bankruptcy, liquidation, or reorganization of a subsidiary or affiliate), such subsidiaries' or other affiliates' creditors, including trade creditors and holders of debt issued by such subsidiaries or affiliates, will generally be entitled to payment of their claims from the assets of those subsidiaries or affiliates before any assets are made available for distribution to us or the holders of our indebtedness. As a result, holders of our corporate indebtedness will be effectively subordinated to all present and future debts and other liabilities (including trade payables) of certain of our subsidiaries. As of January 3, 2021 our subsidiaries had $15.1 million in subsidiary project financing, which is effectively senior to our corporate debt, such as our 2019 Revolver, our 4.00% debentures due 2023 and our 0.875% debentures due 2021.

Risks Related to Our Operations

If we have quality issues with our solar and related products, our sales could decrease and our relationships with our customers and our reputation may be harmed.

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

A change in the solar investment tax credit could adversely affect our business, revenues, margins, results of operations and cash flows.

We have incorporated into our financial planning and agreements with our customers certain assumptions regarding the future level of U.S. tax incentives, including the ITC, which is administered by the Internal Revenue Service (''IRS''). The ITC allows qualified applicants to claim an amount equal to 26% of the eligible cost basis for qualifying solar energy property. We hold projects and have sold projects to certain customers based on certain underlying assumptions regarding the ITC. We have also accounted for certain projects and programs in our business using the same assumptions.

Owners of our qualifying projects and our residential lease program have applied or will apply for the ITC and the assumptions regarding expected tax benefits, both in timing and amount, are made in accordance with the guidance provided by the IRS. Any changes to the IRS guidance which we relied upon in structuring our projects, failure to comply with the requirements, including the safe harbor guidance, lower levels of incentives granted, or changes in assumptions including the estimated residual values and the estimated fair market value of financed and installed systems for the purposes of the ITC, could materially and adversely affect our business and financial results. If the IRS disagrees, as a result of any future review or audit, with the fair market value of, or other assumptions concerning, our solar projects or systems that we have constructed or that we construct in the future, including the systems for which tax incentives have already been paid, it could have a material adverse effect on our business and financial condition. We also have obligations to indemnify certain of our customers and investors for the loss of tax incentives. We may have to recognize impairments or lower margins than initially anticipated for certain of our projects or our residential lease program. Additionally, if the amount or timing of ITCs received varies from what we have projected, our revenues, margins and cash flows could be adversely affected and we may have to recognize losses, which would have a material adverse effect on our business, results of operations, cash flows, and financial condition.

There are continuing developments in the interpretation and application of how companies should calculate their eligibility and level of ITC incentives. There have been recent cases in the U.S. district courts that challenge the criteria for a true lease, which could impact whether the structure of our residential lease program qualifies under the ITC. If the IRS redetermines the amount of the ITC, investors may be required to make corresponding adjustments to their taxable income or other changes. Such adjustments may provide us with an indication of IRS practice regarding the valuation of residential leased solar assets, and we would consider such adjustments in our accounting for our indemnification obligations to investors who receive ITCs.

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

To expand our business and maintain our competitive position, we have acquired a number of other companies and entered into joint ventures in past years, including our acquisition of Solaire Generation, Inc. in fiscal 2015, our SunStrong and Solar Sail joint ventures with Hannon Armstrong, and our acquisition of SolarWorld Americas in fiscal 2018. In the future, we may acquire additional companies, project pipelines, products, or technologies or enter into additional joint ventures or other strategic initiatives.

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

- insufficient experience with technologies and markets in which the acquired business or joint venture is involved, which may be necessary to successfully operate and/or integrate the business or the joint venture;
- problems integrating the acquired operations, personnel, IT infrastructure, technologies, or products with the existing business and products;
- diversion of management time and attention from the core business to the acquired business or joint venture;
- potential failure to retain or hire key technical, management, sales, and other personnel of the acquired business or joint venture;
- difficulties in retaining or building relationships with suppliers and customers of the acquired business or joint venture, particularly where such customers or suppliers compete with us;
- potential failure of the due diligence processes to identify significant issues with product quality and development or legal and financial liabilities, among other things;
- potential inability to obtain, or obtain in a timely manner, approvals from governmental authorities or work councils, which could delay or prevent acquisitions, delay our ability to achieve synergies, or adversely impact our successful operation of acquired companies or joint ventures;
- potential necessity to re-apply for permits of acquired projects;

- problems managing joint ventures with our partners, meeting capital requirements for expansion, potential litigation with joint venture partners and reliance upon joint ventures which we do not control;
- differences in philosophy, strategy, or goals with our joint venture partners;
- subsequent impairment of the acquired assets, including intangible assets; and
- assumption of liabilities including, but not limited to, lawsuits, tax examinations, warranty issues, environmental matters, and liabilities associated with compliance with laws (for example, the FCPA).

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

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

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

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

Our residential lease program has been, and continues to be, eligible for the ITC. We have relied on, and expect to continue to rely on, financing structures that monetize a substantial portion of those benefits. If we were unable to continue to monetize the tax benefits in our financing structures or such tax benefits were reduced or eliminated, we might be unable to provide financing or pricing that is attractive to our customers. Under current law, the ITC was reduced from approximately 30% of the cost of the solar power systems to approximately 26% for solar power systems that commenced construction after December 31, 2019. With the recent extension of the ITC passed in January 2021, the current 26% ITC will continue for solar power systems that commence construction before December 31, 2022, before being reduced to 22% for solar power systems that commence construction after December 31, 2022, and permanently reduced to 10% for commercial projects and 0% for residential projects for solar power systems that commence construction after December 31, 2023.

Changes in existing law and interpretations by the IRS and the courts could reduce the willingness of financing partners to invest in funds associated with our residential lease program. Additionally, benefits under the ITC programs are tied, in part, to the fair market value of our systems, as ultimately determined by the federal agency administering the benefit program. This means that, in connection with implementing financing structures that monetize such benefits, we need to, among other things, assess the fair market value of our systems in order to arrive at an estimate of the amount of tax benefit expected to be derived from the benefit programs. We incorporate third-party valuation reports that we believe to be reliable into our methodology for assessing the fair market value of our systems, but these reports or other elements of our methodology may cause our fair market value estimates to differ from those ultimately determined by the federal agency administering the applicable benefit program. If the amount or timing of the ITC received in connection with our residential lease program varies from what we have projected, due to discrepancies in our fair value assessments or otherwise, our revenues, cash flows, and margins could be adversely affected.

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

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

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

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

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

Our leases are third-party ownership arrangements. Sales of electricity by third parties face regulatory challenges in some states and jurisdictions. Other challenges pertain to whether third-party owned systems qualify for the same levels of rebates or other non-tax incentives available for customer-owned solar energy systems. Reductions in, or eliminations of, this treatment of these third-party arrangements could reduce demand for our residential lease program.

Project development or construction activities may not be successful, and we may make significant investments without first obtaining project financing, which could increase our costs and impair our ability to recover our investments.

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

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

- failures or delays in obtaining desired or necessary land rights, including ownership, leases and/or easements;
- failures or delays in obtaining necessary permits, licenses, or other governmental support or approvals, or in overcoming objections from members of the public or adjoining land owners;
- unforeseen engineering problems;
- uncertainties relating to access to available transmission for electricity generated by our solar power systems and delays in interconnection of such systems;
- construction delays and contractor performance shortfalls;
- work stoppages or labor disruptions and compliance with labor regulations;

- cost over-runs;
- availability of products and components from suppliers;
- adverse weather conditions;
- environmental, archaeological, and geological conditions; and
- availability of construction and permanent financing.

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

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

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

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

In addition, the contracts with some of our larger customers obligate us to pay substantial penalty payments for each day or other period beyond an agreed target date that a solar installation for any such customer is not completed, up to and including the return of the entire project sale price. We face material financial penalties in the event we fail to meet the completion deadlines, including but not limited to a full refund of the contract price paid by the customers. In certain cases we do not control all of the events which could give rise to these penalties, such as reliance on the local utility to timely complete electrical substation construction.

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

We have significant supplier relationships outside the United States, as well as certain international activities and customers, which may subject us to additional business risks, including logistical complexity and political instability.

A portion of our supply agreements are with manufacturers and equipment vendors located outside of the United States, and, although our business is primarily U.S.-focused, we do have customers and assets located outside of the United States.

Risks we face in conducting business internationally include:

- multiple, conflicting, and changing laws and regulations relating to employment, environmental protection, international trade, and other government approvals, permits, and licenses and regulatory requirements;
- financial risks, such as longer sales and payment cycles, greater difficulty enforcing rights and remedies under, including collecting accounts receivable, and capital controls or other restrictions on the transfer of funds;
- currency fluctuations, government-fixed foreign exchange rates, the effects of currency hedging activity, and the potential inability to hedge currency fluctuations;
- political and economic instability, including wars, acts of terrorism, political unrest, boycotts, curtailments of trade, nationalization of assets, and other business restrictions;
- trade barriers such as import and export requirements or restrictions, licensing requirements, tariffs, taxes and other restrictions and expenses for which we may have responsibility, which could increase the prices of our products and make us less competitive in some countries; and
- liabilities associated with compliance with laws (for example, the Foreign Corrupt Practices Act (''FCPA'') in the United States and similar laws outside of the United States).

We have a complex organizational structure that includes global entities. This increases the potential impact of adverse changes in laws, rules, and regulations affecting the free flow of goods and personnel, and therefore heightens some of the risks noted above. Further, we must work with our suppliers to effectively manage the flow of products in light of these risks. If we fail to do so, our available inventory may not correspond with product demand. If we are unable to successfully manage any such risks, any one or more could materially and adversely affect our business, results of operations, cash flows, and financial condition.

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

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

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

We may not be able to expand our business or manage future growth. We plan to continue to improve our operations and processes and expand our sales and operations, which will require:

- enhancing our customer resource management and other systems;
- implementing and improving additional and existing administrative, financial and operations systems, procedures and controls, including the need to centralize, update and integrate our global financial internal control;
- hiring additional employees and expanding our contractor relationships;
- expanding and upgrading our technological capabilities;

- managing numerous relationships with our customers, suppliers and other third parties;
- maintaining adequate liquidity and financial resources; and
- continuing to increase our revenues from operations.

Maintaining adequate liquidity is dependent upon a variety of factors including continued revenues from operations, working capital improvements, and compliance with our indentures and credit agreements. If we are unsuccessful in any of these areas, we may not be able to achieve our growth strategy as planned during the foreseeable future. In addition, we need to manage our organizational growth, including rationalizing reporting structures, support teams, and enabling efficient decision making. For example, the administration of the residential lease program requires processes and systems to support this business model. If we are not successful or if we delay our continuing implementation of such systems and processes, we may adversely affect the anticipated volumes in our residential lease business. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, develop new products, satisfy customer requirements, execute our business plan, or respond to competitive pressures.

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

We rely heavily on the services of our key executive officers and the loss of services of any principal member of our management team could adversely affect our operations. We have experienced significant turnover in our management team in the recent past, and we are investing significant resources in developing new members of management as we complete our restructuring and strategic transformation. In connection with our recent separation into two public companies through the Spin-Off, certain members of SunPower's management team accepted roles with Maxeon Solar, and it is possible that we could experience increased difficulties in attracting, retaining, and motivating employees during the period following the Spin-Off. We also anticipate that over time we will need to hire a number of highly skilled technical, sales, marketing, administrative, and accounting personnel. In recent years, we have conducted several restructurings, which may negatively affect our ability to execute our strategy and business model, and may impair our ability to retain key talent required to provide transition services during such restructurings. The competition for qualified personnel is intense in our industry. We may not be successful in attracting and retaining sufficient numbers of qualified personnel to support our anticipated growth. We cannot guarantee that any employee will remain employed with us for any definite period of time since all of our employees, including our key executive officers, serve at-will and may terminate their employment at any time for any reason.

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

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

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

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

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

Our headquarters and research and development operations are located in California, and we have significant operations in Texas and the Philippines, as well as offices and operations in several other U.S. states. Any significant epidemic, earthquake, flood, fire, or other natural disaster in these areas or in countries where our suppliers are located could materially disrupt our management operations and/or our production capabilities, could result in damage or destruction of all portion of our facilities or could result in our experiencing a significant delay in delivery, or substantial shortage, of our products and services.

In addition, the potential physical impacts of climate change on our operations may include changes in weather patterns (including floods, fires, tsunamis, drought, and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These potential physical effects may adversely affect the cost, sales, and financial performance of our operations.

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

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

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

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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

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

We rely substantially upon trade secret laws and contractual restrictions to protect our proprietary rights, and, if these rights are not sufficiently protected, our ability to compete and generate revenue could suffer.

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

- others may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting such misappropriation and information security measures designed to deter or prevent misappropriation of our technologies;
- policing unauthorized use of our intellectual property may be difficult, expensive, and time-consuming, the remedy obtained may be inadequate to restore protection of our intellectual property, and moreover, we may be unable to determine the extent of any unauthorized use; and
- reports we file in connection with government-sponsored research contracts are generally available to the public and third parties may obtain some aspects of our sensitive confidential information.

Reverse engineering, unauthorized copying, or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without compensating us for doing so. Any such activities or any other inabilities to adequately protect our proprietary rights could harm our ability to compete, to generate revenue, and to grow our business.

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

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

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

The term of any issued patent is generally 20 years from its earliest filing date and if our applications are pending for a long time period, we may have a correspondingly shorter term for any patent that may issue. Our present and future patents may provide only limited protection for our technology and may be insufficient to provide competitive advantages to us. For example, competitors could develop similar or more advantageous technologies on their own or design around our patents. Also, patent protection in certain foreign countries may not be available or may be limited in scope and any patents obtained may not be readily enforceable because of insufficient judicial effectiveness, making it difficult for us to aggressively protect our intellectual property from misuse or infringement by other companies in these countries. Our inability to obtain and enforce our intellectual property rights in some countries may harm our business. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important.

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

"SunPower" and the SunPower logo are our registered trademarks in the United States for uses that include solar cells and solar panels. We hold registered trademarks for SunPower, EnergyLink, InvisiMount, The Power of

One, and many more marks, in certain countries, including the United States. We have not registered, and may not be able to register, these trademarks in other key countries. In addition, if there are jurisdictions where another proprietor has already established trademark rights in marks containing "SunPower," or our other chosen brands, we may face trademark disputes and may have to market our products with other trademarks or without our trademarks, which may undermine our marketing efforts. We may encounter trademark disputes with companies using marks which are confusingly similar to the SunPower mark, or our other marks, which if not resolved favorably, could cause our branding efforts to suffer. In addition, we may have difficulty in establishing strong brand recognition with consumers if others use similar marks for similar products.

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

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

Risks Related to Our Debt and Equity Securities

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

Our convertible debentures are general, unsecured obligations and rank equally in right of payment with all of our existing and any future unsubordinated, unsecured indebtedness. As of January 3, 2021, we and our subsidiaries had \$488.0 million in principal amount of senior convertible debentures. Our debentures are effectively subordinated to our existing and any future secured indebtedness we may have, including for example, our Loan and Security Agreement with Bank of America, N.A., to the extent of the value of the assets securing such indebtedness, and structurally subordinated to our existing and any future liabilities and other indebtedness of our subsidiaries. In addition to our unsecured indebtedness described above, as of January 3, 2021, we and our subsidiaries had \$156.0 million in principal amount of other indebtedness outstanding, which includes \$15.1 million in non-recourse project debt. These liabilities may also include other indebtedness, trade payables, guarantees, lease obligations, and letter of credit obligations. Our debentures do not restrict us or our current or any future subsidiaries from incurring indebtedness, including senior secured indebtedness, in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment. For a discussion of the impact of our liquidity on our ability to meet our payment obligations under our debentures, see also "Risks Related to Our Liquidity—*We have a significant amount of debt outstanding. Our substantial indebtedness and other contractual commitments could adversely affect our business, financial condition, cash flows, and results of operations, as well as our ability to meet our payment obligations under our debentures and our other debt.*"

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

As of January 3, 2021, Total owned approximately 52% of our outstanding common stock, excluding common stock issuable upon conversion of our 0.875% debentures and 4.00% debentures.

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

If we cease to be considered a "controlled company" within the meaning of the NASDAQ corporate governance rules, we will be subject to additional corporate governance requirements.

If we cease to be considered a ''controlled company'' under the NASDAQ corporate governance rules, we will be subject to additional corporate governance requirements, including the requirements that:

- a majority of our Board of Directors consist of independent directors;
- our Nominating and Corporate Governance Committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- our Compensation Committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- there be an annual performance evaluation of the Nominating and Corporate Governance Committee and the Compensation Committee.

The NASDAQ listing rules provide for phase-in periods for these requirements (including that each such committee consist of a majority of independent directors within 90 days of ceasing to be a ''controlled company''), but we must be fully compliant with the requirements within one year of the date on which we cease to be a ''controlled company.'' Currently, we do not have a majority of independent directors on our Board of Directors and only two of the four members of each of our Nominating and Governance Committee and our Compensation Committee are independent. During this transition period, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance rules and the ability of our independent directors to influence our business policies and affairs may be reduced. In addition, we may not be able to attract and retain the number of independent directors needed to comply with NASDAQ corporate governance rules during the transition period.

In addition, as a result of potentially no longer being a ''controlled company,'' we may need to obtain certain consents, waivers, and amendments in connection with our existing debt agreements. Any failure to obtain such consents, waivers, and amendments might cause cross defaults under other agreements and may have a material adverse effect on our results of operations, cash flows, and financial condition.

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

In our equity offering in 2019, we sold an aggregate of 25,300,000 shares of common stock, and we may in the future seek to sell additional common stock or other securities. Sales of our common stock in the public market or sales of any of our other securities will or could, as applicable, dilute ownership and earnings per share, and even the perception that such sales could occur could cause the market prices of our common stock to decline.

To the extent we issue common stock upon conversion of our outstanding 0.875% and 4.00% debentures, the conversion of some or all of such debentures will dilute the ownership interests of existing stockholders, including holders who had previously converted their debentures. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of our outstanding debentures may encourage short selling of our common stock by market participants who expect that the conversion of the debentures could depress the prices of our common stock.

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

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

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

Our common stock has experienced extreme price and volume fluctuations. The trading price of our common stock could be subject to further wide fluctuations due to many factors, including the factors discussed in this risk factors section. In addition, the stock market in general, and The NASDAQ Global Select Market and the securities of technology companies and solar companies in particular, have experienced severe price and volume fluctuations. These trading prices and valuations, including our own market valuation and those of companies in our industry generally, may not be sustainable. These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. Because the 0.875% and 4.00% debentures are convertible into our common stock (and/or cash equivalent to the value of our common stock), volatility or depressed prices of our common stock could have a similar effect on the trading price of the debentures. In the past, stockholders have initiated class action lawsuits against companies following periods of volatility in the market prices of their stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources from our business.

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

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

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

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

- the right of the Board of Directors to elect a director to fill a vacancy created by the expansion of the Board of Directors;
- the prohibition of cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

- the requirement for advance notice for nominations for election to the Board of Directors or for proposing matters that can be acted upon at a stockholders' meeting;
- our Board of Directors is divided into three classes of directors, with the classes to be as nearly equal in number as possible;
- stockholders may not call special meetings of the stockholders, except by Total under limited circumstances; and
- our Board of Directors is able to alter our by-laws without obtaining stockholder approval.

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

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

As of January 3, 2021, we had federal net operating loss carryforwards of $498.0 million for tax purposes, California state net operating loss carryforwards of approximately $863.1 million for tax purposes, credit carryforwards of approximately $69.9 million for federal tax purposes, and California credit carryforwards of $4.0 million for state tax purposes. Our ability to utilize a portion of the net operating loss and credit carryforwards is dependent upon our being able to generate taxable income in future periods or being able to carryback net operating losses to prior year tax returns. Our ability to utilize net operating losses may be limited due to restrictions imposed on utilization of net operating loss and credit carryforwards under federal and state laws upon a change in ownership, such as transaction with Cypress Semiconductor Corporation (''Cypress'') while we were deemed to be a member and subsidiary of the Cypress consolidated group or tax attributes from acquired companies.

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

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

On June 29, 2020, the California Assembly Bill (''AB 85'') suspended the use of California net operating loss deduction and limited the maximum business incentive tax credit utilization to $5.0 million annually starting with tax years beginning on or after January 1, 2020 through December 31, 2022. In addition, states legislatures are considering limitations on tax attributes in order to raise tax revenues. As a result, our state income tax may increase if more states adopt restrictions on the use of tax attributes.

As discussed in "Risk Factors—Risks Related to the Spin-Off," the Spin-Off has resulted in a fully taxable event to SunPower, for which we recognized taxable gain that was offset with prior year losses, thus resulting in a significant reduction in our net operating loss carryforwards.

General Risk Factors

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

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

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

Additionally, U.S. tax reform may lead to further changes in (or departure from) these norms. As these and other tax laws and related regulations change, our results of operations, cash flows, and financial condition could be materially impacted. Given the unpredictability of these possible changes and their potential interdependency, it is very difficult to assess whether the overall effect of such potential tax changes would be cumulatively positive or negative for our earnings and cash flow.

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

We are exposed to interest rate risk because many of our customers depend on debt financing to purchase our solar power systems. An increase in interest rates could make it difficult for our customers to obtain the financing necessary to purchase our solar power systems on favorable terms, or at all, and thus lower demand for our solar power products, reduce revenue and adversely affect our results of operations and cash flow. An increase in interest rates could lower a customer's return on investment in a system or make alternative investments more attractive relative to solar power systems, which, in each case, could cause our customers to seek alternative investments that promise higher returns or demand higher returns from our solar power systems, which could reduce our revenue and gross margin and adversely affect our financial results. Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. Conversely, lower interest rates have an adverse impact on our interest income. See also "Item 7A. *Quantitative and Qualitative Disclosures About Market Risk" and under this section "Risks Related to Our Sales Channels—The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our solar power plants, our residential lease and loan programs and our customers, and is affected by general economic conditions."*

Uncertainty about the continuing availability of LIBOR may adversely affect our business, financial condition, results of operations, and cash flows.

Borrowings under certain of our credit facilities bear interest at a floating rate based on the London Inter-bank Offered Rate ("LIBOR"). We also have entered into fixed-for-floating interest rate forward swap agreements to manage our exposure to fluctuations in the LIBOR benchmark interest rate. We pay the counterparties to these swap agreements a fixed rate in return for a LIBOR-based floating rate, which we may use to fund payments under our credit facilities. The aggregate notional amount of these swap agreements is $5.5 million.

In July 2017, the United Kingdom's Financial Conduct Authority (the ''FCA''), which regulates LIBOR, announced that after December 31, 2021, it would no longer compel banks to submit the rates required to calculate LIBOR. We cannot predict the effect of the FCA's decision not to sustain LIBOR or, if changes ultimately are made to LIBOR, the effect those changes may have on the payments we receive under our interest rate forward swap agreements.

In anticipation of LIBOR's discontinuation, our credit facilities generally provide a transition mechanism to a LIBOR-replacement rate to be mutually agreed upon by us and our lenders. There can be no assurance, however, that we will be able to reach an agreement with our lenders on any such replacement benchmark before experiencing adverse effects due to changes in interest rates, if at all. In addition, any such changes under the credit facilities may result in interest rates and/or payments that are higher or lower than payments we presently are obligated to make. We also may seek to amend our swap agreements to replace the benchmark rate. There can be no assurance, however, that the counterparties to those agreements will agree to a replacement rate, and any such changes to the swap agreements may result in us receiving payments that are higher or lower than the payments we are entitled to receive under our existing swap agreements. There also can be no assurance that (a) the amounts we are entitled to receive under the swap agreements will continue to be correlated with the amounts we are required to pay under our credit facilities or (b) transitions to new benchmarks will be concurrent across our various agreements, the failure of either or both of which could diminish the swaps' effectiveness as hedging instruments. Any of these risks could adversely affect our business, financial condition, results of operations, and cash flows.

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

Our management is responsible for maintaining internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Management concluded that as of the end of each of fiscal 2020, 2019, and 2018, our internal control over financial reporting and our disclosure controls and procedures were effective.

We need to continuously maintain our internal control processes and systems and adapt them as our business grows and changes. This process is expensive, time-consuming, and requires significant management attention. We cannot guarantee that our internal controls over financial reporting will prevent or detect all errors and fraud. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, either in our existing business or in businesses that we may acquire, could harm our results of operations or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our common stock may decline.

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

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

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

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

We are subject to federal, state, and international laws relating to the collection, use, retention, security, and transfer of customer, employee, and business partner personally identifiable information (''PII''), including the California Consumer Privacy Act (''CCPA''), which came into effect on January 1, 2020. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between one company and its subsidiaries, and among the subsidiaries and other parties with which we have commercial relations. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. These U.S. federal and state and foreign laws and regulations, including GDPR which can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations, including CCPA, are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to inquiries or investigations, claims or other remedies, including fines, which may be significant, or demands that we modify or cease existing business practices.

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

We may be subject to breaches of our information technology systems, which could lead to disclosure of our internal information and customer data, damage our reputation or relationships with dealers and customers, and disrupt access to our online services. Such breaches could subject us to significant reputational, financial, legal, and operational consequences.

Our business requires us to use and store confidential and proprietary information, intellectual property, commercial banking information, personal information concerning customers, employees, and business partners, and corporate information concerning internal processes and business functions. Malicious attacks to gain access to such information affects many companies across various industries, including ours.

Where appropriate, we use encryption and authentication technologies to secure the transmission and storage of data. These security measures may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management, or other irregularity or malicious effort, and result in persons obtaining unauthorized access to our data.

We devote resources to network security, data encryption, and other security measures to protect our systems and data, but these security measures cannot provide absolute security. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, target end users through phishing and other malicious techniques, and/or may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventative measures. As a result, we have experienced such breaches of our systems in the past, and may experience a breach of our systems in the future that reduces our ability to protect sensitive data. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our team members, contractors and temporary staff. If we experience, or are perceived to have experienced, a significant data security breach, fail to detect and appropriately respond to a significant data security breach, or fail to implement disclosure controls and procedures that provide for timely disclosure of data security breaches deemed material to our business, including corrections or updates to previous disclosures, we could be exposed to a risk of loss, increased insurance costs, remediation and prospective prevention costs, damage to our reputation and brand, litigation and possible liability, or government enforcement actions, any of which could detrimentally affect our business, results of operations, cash flows, and financial condition.

We may also share information with contractors and third-party providers to conduct our business. While we generally review and typically request or require such contractors and third-party providers to implement security measures, such as encryption and authentication technologies to secure the transmission and storage of data, those third-party providers may experience a significant data security breach, which may also detrimentally affect our business, results of operations, cash flows, and financial condition as discussed above. See also under this section, "Risks Related to Our Intellectual Property—*We rely substantially upon trade secret laws and contractual restrictions to protect our proprietary rights, and, if these rights are not sufficiently protected, our ability to compete and generate revenue could suffer.*"

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

The FCPA generally prohibits companies and their intermediaries from making improper payments to non-U.S. government officials for the purpose of obtaining or retaining business. Other countries in which we operate or have supplier or vendor relationships also have anti-bribery laws, some of which prohibit improper payments to government and non-government persons and entities. Our policies mandate compliance with these anti-bribery laws. In addition, due to the level of regulation in our industry, the sale of our legacy international projects may require substantial government contact where norms can differ from U.S. standards. While we implement policies and procedures and conduct training designed to facilitate compliance with these anti-bribery laws, thereby mitigating the risk of violations of such laws, our employees, subcontractors and agents may take actions in violation of our policies and anti-bribery laws. Any such violation, even if prohibited by our policies, could subject us to criminal or civil penalties or other sanctions, which could have a material adverse effect on our business, financial condition, cash flows, and reputation.

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

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

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

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

ITEM 1B: *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2: *PROPERTIES*

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

Facility	Location	Approximate Square Footage	Ownership	Year When Lease Term Ends
Solar cell and module manufacturing facility[1]	Oregon, U.S.	212,000	Leased	2022
Corporate headquarters	California, U.S.	61,000	Leased	2027
Global support offices	California, U.S.	163,000	Leased	2023
Global support offices	Texas, U.S.	46,000	Leased	2024
Global support offices	Texas, U.S.	23,000	Leased	2021
Global support offices	Philippines	65,000	Leased	2021

1 The solar cell manufacturing facility we operate in Oregon, U.S. has a total annual capacity of over 120 MW.

ITEM 3. *LEGAL PROCEEDINGS*

The disclosure under ‘‘Item 8. Financial Statements—Note 10. *Commitments and Contingencies—Legal Matters*’’ in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K is incorporated herein by reference.

ITEM 4: *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

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

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

As of February 12, 2021, there were approximately 629 holders of record of our common stock. A substantially greater number of holders are in "street name" or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions.

Dividends

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

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act, of shares of our common stock during each of the indicated periods.

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
September 28, 2020 through October 25, 2020	8,583	$15.56	—	—
October 26, 2020 through November 22, 2020	31,787	$18.90	—	—
November 23, 2020 through January 3, 2021	172,785	$21.13	—	—
	213,155	$ —	—	—

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

ITEM 7: *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Cautionary Statement Regarding Forward-Looking Statements

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K for the fiscal year ended January 3, 2021.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts or the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "seek," "should," "will," "would," and similar expressions to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, the sufficiency of our cash and our liquidity, projected costs and cost reduction measures, development of new products and improvements to our existing products, the impact of recently adopted accounting pronouncements, our manufacturing capacity and manufacturing costs, the adequacy of our agreements with our suppliers, our ability to monetize our solar projects, legislative actions and regulatory compliance, competitive positions, management's plans and objectives for future operations, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, our ability to repay our obligations as they come due, our ability to continue as a going concern, trends in average selling prices, the success of our joint ventures and acquisitions, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest and credit risk, general business and economic conditions in our markets, industry trends, the impact of changes in government incentives, expected restructuring charges, risks related to privacy and data security, statements regarding the anticipated impact on our business of the COVID-19 pandemic and related public health measures, macroeconomic trends and uncertainties, *and the likelihood of any impairment of project assets, long-lived assets, and investments These forward-looking statements are based on information available to us as of the date of this Annual Report on Form 10-K and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Factors that could cause or contribute to such differences include, but are not limited to, those identified above, those discussed in the section titled "Risk Factors" included in this Annual Report on Form 10-K for the fiscal year ended* January 3, 2021*, and our other filings with the SEC. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.*

Our fiscal year ends on the Sunday closest to the end of the applicable calendar year. All references to fiscal periods apply to our fiscal quarter or year, which end on the Sunday closest to the calendar month end. Unless the context otherwise requires, all references to "SunPower," "we," "us," or "our" refer to SunPower Corporation and its subsidiaries.

Overview

SunPower Corporation (together with its subsidiaries, ''SunPower,'' ''''the Company,'' we,'' ''us,'' or ''our'') is a leading solar energy company that delivers complete solar solutions to customers primarily in United States and Canada through an array of hardware, software, and financing options and ''Smart Energy'' solutions. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings, and grids—all personalized through easy-to-use customer interfaces. We are a leader in the U.S. downstream Distributed Generation (''DG'') market, providing an affordable and sustainable source of electricity compared to traditional utility energy to residential homeowners and commercial customers through multiple financing options. Our sales channels include a strong network of dealers and resellers that operate in both, residential and commercial markets, as well a group of talented and driven in-house sales team within each segment engaged in direct sales to end customers. For more information about our business, please refer to the section titled ''Part I. Item 1. Business'' in this Annual Report on Form 10-K for the fiscal year ended January 3, 2021.

Recent Developments

Key transactions during the fiscal year ended January 3, 2021 include the following:

Maxeon Solar Spin-Off Transaction

On August 26, 2020, we completed the spin-off (the "Spin-Off") of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares ("Maxeon Solar"), consisting of certain non-U.S. operations and assets of our former SunPower Technologies business unit. The Spin-Off was completed by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock (the "Distribution") as of the close of business on August 17, 2020.

In connection with the Spin-Off, and as contemplated by the Separation and Distribution Agreement entered into by us and Maxeon Solar, we and Maxeon Solar entered into certain ancillary agreements that govern the relationships between the Company and Maxeon Solar following the Distribution, including: a tax matters agreement, employee matters agreement, transition services agreement, back-to-back agreement, brand framework agreement, cross license agreement, collaboration agreement, and supply agreement (collectively, the "Ancillary Agreements"), each as previously described in our announcement of the contemplated transaction.

Sale of Operations and Maintenance Business

On May 14, 2020, we sold the substantial majority of our O&M ("Operations & Maintenance") services contracts for utility, commercial, and industrial scale photovoltaic power projects and related assets and liabilities to NovaSource Power Services ("NovaSource") for total consideration of $36.3 million.

Upon closing, we received net cash consideration of $16.0 million, excluding certain hold-backs totaling in aggregate $15.0 million for certain retained obligations and contracts not novated as of closing. We assessed the recoverability of these hold-backs and included our best estimate of the amount recoverable in the future in our calculation of net gain on sale. Additionally, we also agreed to retain and subcontract certain O&M contracts for selected large utility scale power plant projects in North America at a fixed price to NovaSource. The contracts were deemed loss-making on the closing date and accordingly, we recorded a liability for the expected loss to be recognized for these contracts that will be amortized over the expected period of loss of three years.

Segments Overview

In the third quarter of fiscal 2020, and concurrent with the Spin-Off of the majority of our former SunPower Technologies segment, we reorganized our business into new segments to align our focus on the U.S. downstream DG market and new business model driven by financial offerings, solar energy storage, solutions, and software services. Previously, we operated under two end-customer segments, comprised of our (i) SunPower Energy Services, and (ii) SunPower Technologies. The SunPower Energy Services segment referred to our downstream business consisting of sales of solar energy solutions to residential and commercial end-customers, and the SunPower Technologies segment referred to global manufacturing and our large-scale solar products and systems and international component sales.

Under the new segmentation, Residential, Light Commercial ("RLC") refers to sales of solar energy solutions previously included in the legacy SunPower Energy Services segment, including sales to our third-party dealer network and resellers, storage solutions, cash sales and long-term leases directly to end customers. The Commercial and Industrial Solutions segment ("C&I Solutions") refers to direct sales of turn-key engineering, procurement and construction ("EPC") services, and sales of energy under power purchase agreements ("PPAs"). Certain legacy businesses consisting of worldwide power plant project development and project sales, as well as U.S. manufacturing, are not significant to overall operations, and are deemed non-core to our other businesses and classified as 'Others'. Certain key cross-functional support functions and responsibilities including corporate strategy, treasury, tax and accounting support and services, among others, continue to be centrally managed within the Corporate function .

Each segment is managed by a business general manager that reports to our Chief Executive Officer, as the chief operating decision maker ("CODM"), who reviews our business, manages resource allocations and measures performance of our activities across RLC, C&I Solutions and Other segment. The CODM further views the business performance of each segment under two key sources of revenue - Dev Co and Power Co. Dev Co refers to our solar origination and installation revenue stream within each segment such as sale of solar power systems with our dealers and resellers network as well as installation and EPC revenues, while Power Co refers to our post-system sale services revenues, mainly from O&M services for residential and commercial projects. The risk profile of each revenue stream is different and therefore, the segregation of Dev Co and Power Co provides the CODM with appropriate information to review business performance and allocate resources to each segment.

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

Fiscal Years

We have a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Fiscal 2020 was a 53-week fiscal year while fiscal 2019 and 2018 were 52-week fiscal years. Our fiscal 2020 ended on January 3, 2021, fiscal 2019 ended on December 29, 2019 and fiscal 2018 ended on December 30, 2018.

Recent Accounting Pronouncements

See Note 1, *Organization and Summary of Significant Accounting Policies,* in Notes to the Consolidated Financial Statements in Item 8 of Part II of this Report for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on financial condition and results of operations, which is incorporated herein by reference.

Results of Operations

Results of operations in dollars and as a percentage of net revenue were as follows:

	Fiscal Year Ended					
	January 3, 2021		December 29, 2019		December 30, 2018	
	in thousands	% of Revenue	in thousands	% of Revenue	in thousands	% of Revenue
Total revenue	$1,124,829	100	$1,092,226	100	$1,202,311	100
Total cost of revenue	957,702	85	928,748	85	1,053,814	88
Gross profit	167,127	15	163,478	15	148,497	12
Research and development	22,381	2	34,217	3	49,240	4
Sales, general, and administrative	164,703	15	172,109	16	200,069	16
Restructuring charges	2,604	1	14,627	1	9,731	1
Loss on sale and impairment of residential lease assets	45	—	25,352	2	251,984	21
Gain on business divestitures	(10,334)	(1)	(143,400)	(13)	(59,347)	(5)
Income from transition services agreement, net	(6,260)	(1)	—	—	—	—
Operating income (loss)	(6,012)	(1)	60,573	6	(303,180)	(25)
Other income (expense), net	660,581	59	130,435	12	(63,356)	(5)
Income (loss) from continuing operations before income taxes and equity in losses of unconsolidated investees	654,569	58	191,008	18	(366,536)	(30)
Provision for income taxes	(57,549)	(5)	(16,509)	(2)	(2,060)	—
Equity in losses of unconsolidated investees	—	—	(1,716)	—	(14,872)	(1)
Income (loss) from continuing operations	597,020	53	172,783	16	(383,468)	(31)
Loss from discontinued operations	(122,994)	(11)	(180,504)	(17)	(534,028)	(44)
Net income (loss)	474,026	42	(7,721)	(1)	(917,496)	(75)
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	2,335	—	34,037	3	106,139	9

	Fiscal Year Ended					
	January 3, 2021		December 29, 2019		December 30, 2018	
	in thousands	% of Revenue	in thousands	% of Revenue	in thousands	% of Revenue
Net income (loss) from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interests	(1,313)	—	(4,157)	—	266	—
Net income attributable to non-controlling interests and redeemable non-controlling interest	1,022	—	29,880	3	106,405	9
Net income (loss) from continuing operations attributable to stockholders	$ 599,355	53	$ 206,820	19	$(277,329)	(23)
Net loss from discontinued operations attributable to stockholders	(124,307)	(11)	(184,661)	(17)	(533,762)	(44)
Net income (loss) attributable to stockholders	$ 475,048	42	$ 22,159	2	$(811,091)	(67)

Total Revenue:

Our total revenue increased by 3% during fiscal 2020 as compared to 2019, primarily due to increases in revenue of our Commercial and Industrial Solutions segment. Our commercial backlog in Commercial and Industrial Solutions Segment is less susceptible to the adverse impact as a result of the COVID-19 pandemic since the commercial backlog is booked months in advance.

Our total revenue decreased by 9% during fiscal 2019 as compared to 2018, primarily due to decreases in revenue of our Commercial and Industrial Solutions segment. Increase and decrease by segments is further discussed below.

One customer accounted for approximately 18% and 10% of total revenue primarily in our Residential, Light Commercial segment for the year ended January 3, 2021 and December 29, 2019, respectively. We did not have customers that accounted for greater than 10% of our total revenue in the year ended December 30, 2018.

Revenue - by Segment:

A description of our segments along with other required information can be found in Note 18, ‘‘Segment and Geographical Information’’ of the consolidated financial statements in Item 8 of Part II, which is incorporated herein by reference.

Below, we have further discussed increase and decrease in revenue for each segment.

	Fiscal Year				
(In thousands, except percentages)	January 3, 2021	% Change	December 29, 2019	% Change	December 30, 2018
Residential, Light Commercial	$ 848,073	(2)%	$ 863,853	10%	$ 788,765
Commercial and Industrial Solutions	254,811	5%	243,311	(22)%	312,648
Other	65,574	(58)%	156,615	(17)%	189,747
Intersegment and GAAP adjustments [1]	(43,629)	(75)%	(171,553)	93%	(88,849)
Total Revenue	$1,124,829	3%	$1,092,226	(9)%	$1,202,311

[1] *Represents intersegment eliminations and adjustments to segment revenue to determine consolidated GAAP revenue. Refer details of reconciling items in Note 18. Segment and Geographical Information.*

Residential, Light Commercial

Revenue for the segment decreased by 2% during fiscal 2020 as compared to fiscal 2019, primarily as a result of a decrease in the revenue from remaining construction on leases sold as part of sale and deconsolidation of residential lease portfolio in fiscal 2019, that did not recur in fiscal 2020. This was partially offset with an increase in revenue from new leases as well as cash and loan channels.

Revenue for the segment increased by 10% during fiscal 2019 as compared to fiscal 2018, primarily due to a higher volume in residential deals, as well as an increase in the sales of solar power components and systems to our residential customers in the United States, partially offset by lower third-party dealer cash transactions.

Commercial and Industrial Solutions

Revenue for the segment increased by 5% during fiscal 2020 as compared to fiscal 2019, primarily due to increase in number of cash deals and sale of development sale projects, as well as increased volume of construction revenue on EPC arrangements.

Revenue for the segment decreased 22% during fiscal 2019 as compared to fiscal 2018 primarily due to reduction in power generation revenue due to sale of our commercial sale-leaseback portfolio during fiscal 2019, and lower volume of systems sales and EPC contracts.

Other

Revenue for the segment decreased by 58% during fiscal 2020 as compared to fiscal 2019, primarily due to the winding down of our worldwide power plant project development and project sales, as well as U.S. manufacturing. Also, our O&M business revenue was lower in fiscal 2020 compared to fiscal 2019 because of the sale of a substantial majority of that business during fiscal 2020.

Revenue for the segment decreased by 17% during fiscal 2019 as compared to fiscal 2018 due to lower revenue from domestic and international power plant development projects.

Concentrations:

Our Residential, Light Commercial as a percentage of total revenue recognized was 75% during fiscal 2020 as compared to 79% during fiscal 2019. The relative change in revenue for Residential, Light Commercial as a percentage of total revenue recognized reflects the adverse impacts from the COVID-19 pandemic on our residential customers, and all our sales channels. Our Commercial and Industrial Solutions segment as a percentage of total revenue recognized was 23% during fiscal 2020, as compared to 22% during fiscal 2019. The relative change in revenue for Commercial and Industrial Solutions as a percentage of total revenue recognized reflects increased cash deal and development sale projects, as well as increased volume of construction revenue on EPC arrangements.

Total Cost of Revenue:

Our total cost of revenue increased by 3% during fiscal 2020 as compared to fiscal 2019, which is below the increases in our total revenue. Increase and decrease by segments is discussed below in detail.

Our total cost of revenue decreased by 12% during fiscal 2019 as compared to fiscal 2018, primarily due a decrease in our commercial business as a result of sale of commercial sale-leaseback portfolio during fiscal 2019, partially offset by a higher volume of sales to our residential customers.

	Fiscal Year				
(In thousands, except percentages)	**January 3, 2021**	**% Change**	**December 29, 2019**	**% Change**	**December 30, 2018**
Residential, Light Commercial	$691,990	(8)%	$ 755,120	15%	$ 658,448
Commercial and Industrial Solutions	226,145	(4)%	236,164	(20)%	295,498
Other	89,780	(23)%	117,046	(42)%	202,227
Intersegment and GAAP adjustments[1]	(50,213)	(72)%	(179,582)	75%	(102,359)
Total Cost of Revenue	$957,702	3%	$ 928,748	(12)%	$1,053,814

[1] *Represents intersegment eliminations and adjustments to segment cost of revenue to determine consolidated GAAP cost of revenue. Refer to Note 18. Segment and Geographical Information.*

Cost of Revenue - by Segment:

Below, we have further discussed increase and decrease in cost of revenue for each segment.

Residential, Light Commercial

Cost of revenue for the segment decreased by 8% during fiscal 2020 as compared to fiscal 2019, primarily due to lower sales as a result of adverse impacts from the COVID-19 pandemic.

Cost of revenue for the segment increased by 15% during fiscal 2019 as compared to fiscal 2018, primarily due to a higher volume of sales to our residential customers, as well as an increase in the sales of solar power components and systems.

Commercial and Industrial Solutions

Cost of revenue for the segment decreased by 4% during fiscal 2020 as compared to fiscal 2019, primarily due to lower department spending from cost reduction initiatives and the COVID-19 pandemic.

Cost of revenue for the segment decreased by 20% during fiscal 2019 as compared to fiscal 2018, primarily due to a reduction in power generation revenue due to the sale of our commercial sale-leaseback portfolio during fiscal 2019, and lower volume of systems sales and EPC contracts.

Other

Cost of revenue for the segment decreased by 23% during fiscal 2020 as compared to fiscal 2019, primarily due to lower O&M cost of revenue due to the sale of our O&M services contracts for utility, commercial, and industrial scale photovoltaic power projects and related assets and liabilities to NovaSource during fiscal 2020, partially offset by a gain of $21.3 million on the sale and leaseback of our Oregon manufacturing facility during fiscal 2019.

Cost of revenue for the segment decreased by 42% during fiscal 2019 as compared to fiscal 2018, primarily due to a gain of $21.3 million on the sale and leaseback of our Oregon manufacturing facility in the third quarter of fiscal 2019.

Gross Margin

Our gross margin remains 15% in fiscal 2020 and 2019, increase and decrease by segments is discussed below in detail.

Our gross margin increased from 12% in fiscal 2018 to 15% in fiscal 2019, primarily due to non-cash impairment charges on certain property, plant and equipment recorded during fiscal 2018.

Gross Margin - by Segment

	Fiscal Year		
	2020	2019	2018
Residential, Light Commercial	18%	13%	17%
Commercial and Industrial Solutions	11%	3%	5%
Other	(37)%	25%	(7)%
Intersegment and GAAP adjustments[1]	(15)%	(5)%	(15)%
Total gross margin percentage	15%	15%	12%

1 *Represents intersegment eliminations and adjustments to segment gross margin. Refer details of reconciling items in Note 18. Segment and Geographical Information.*

Residential, Light Commercial

Gross margin for the segment increased by 5 percentage points during fiscal 2020 as compared to fiscal 2019, primarily as a result of better product mix with higher volume in cash and loan channel sales.

Gross margin for the segment decreased by 4 percentage points during fiscal 2019 as compared to fiscal 2018, primarily as a result of lower margin on sales to our residential customers.

Commercial and Industrial Solutions

Gross margin for the segment increased by 8 percentage points during fiscal 2020 as compared to fiscal 2019, primarily as a result of product mix with higher cash sales and commercial EPC projects.

Gross margin for the segment decreased by 2 percentage points during fiscal 2019 as compared to fiscal 2018, primarily as a result of higher cost incurred related to solar power solutions deals.

Other

Gross margin for the segment was a loss of 37% during fiscal 2020 as compared to a 25% profit during fiscal 2019, primarily due to the sale of a substantial majority of our O&M contracts and related assets and liabilities to NovaSource during fiscal 2020. Also, gross margin in fiscal 2019 was significantly higher due to the sale of development projects in Chile and Japan, as well as the gain on sale and leaseback of our Oregon manufacturing facility, that were recorded as revenue and reduction in cost of goods sold, respectively, and were non-recurring in nature.

Gross margin for the segment increased by 32 percentage points during fiscal 2019 as compared to fiscal 2018, primarily due to revenue from sale of development projects in Japan, Chile and Mexico, contributing 100% to gross margin as well as a lower cost of goods sold due to gain on sale and leaseback of our Oregon manufacturing facility, in 2019.

Research and Development (“R&D”)

	Fiscal Year		
(In thousands, except percentages)	**2020**	**2019**	**2018**
R&D	22,381	34,217	49,240
As a percentage of revenue	2%	3%	4%

R&D expense decreased by $11.8 million during the fiscal 2020 as compared to fiscal 2019, primarily due to the reimbursement of $12.5 million by Maxeon Solar during fiscal 2020, under the product collaboration agreement entered into with Maxeon Solar in connection with the Spin-Off.

R&D expense decreased by $15.0 million during the fiscal 2019 as compared to fiscal 2018, primarily due to a decrease in labor and facility costs as a result of reductions in headcount driven by our February 2018 restructuring plan.

Sales, General, and Administrative (“SG&A”)

	Fiscal Year		
(In thousands, except percentages)	**2020**	**2019**	**2018**
SG&A	164,703	172,109	200,069
As a percentage of revenue	15%	16%	17%

SG&A expense decreased by $7.4 million during fiscal 2020 as compared to fiscal 2019 primarily due to a decrease in labor costs due to our December 2019 restructuring plan, as well as lower travel expenses and office-related expenses given that the majority of our workforce worked remotely due to COVID-19. During fiscal 2019, we adopted a restructuring plan (‘‘December 2019 Restructuring Plan’’) to realign and optimize workforce requirements in light of recent changes to its business, including the previously announced planned spin-off of Maxeon Solar.

SG&A expense decreased by $28.0 million during fiscal 2019 as compared to fiscal 2018 primarily due to reductions in headcount and salary expenses driven by our February 2018 restructuring plan and cost reduction efforts.

Restructuring Charges

	Fiscal Year		
(In thousands, except percentages)	**2020**	**2019**	**2018**
Restructuring charges	2,604	14,627	9,731
As a percentage of revenue	—%	1%	1%

Restructuring charges decreased by $12.0 million during fiscal 2020 as compared to fiscal 2019, primarily due to lower severance charges incurred in fiscal 2020 in connection with the December 2019 restructuring plan, since a substantial portion of such charges had been incurred during fiscal 2019.

Restructuring charges increased by $4.9 million during fiscal 2019 as compared to fiscal 2018, primarily due to higher severance charges in fiscal 2019 in connection with the December 2019 restructuring plan compared to the February 2018 restructuring plan.

Loss on sale and impairment of residential lease assets

(In thousands, except percentages)	Fiscal Year 2020	2019	2018
Loss on sale and impairment of residential lease assets	$45	$25,352	$251,984
As a percentage of revenue	—%	2%	21%

During fiscal 2020, we recorded an immaterial impairment of residential lease assets since a substantial majority of such assets were sold in prior years. During fiscal 2019, we recorded loss on sale and non-cash impairment charges of $25.4 million on the remaining portfolio of residential lease assets that we owned, before it was sold towards the end of the year to SunStrong Capital Holdings, LLC.

Loss on sale and impairment of residential lease assets was $252.0 million in fiscal 2018 and was higher by $226.6 million compared to fiscal 2019, primarily due to the sale of a majority of our residential lease assets portfolio in the fourth quarter of fiscal 2018. During fiscal 2019, we also sold the remaining portion of the portfolio of residential lease assets to SunStrong Capital Holdings, LLC.

Gain on business divestiture

(In thousands, except percentages)	Fiscal Year 2020	2019	2018
Gain on business divestiture	$(10,334)	$(143,400)	$(59,347)
As a percentage of revenue	(1)%	(13)%	(5)%

During fiscal 2020, we recorded a gain on sale of our O&M business of $10.3 million. During fiscal 2019, we recorded a gain of $143.4 million on sale of the commercial sale-leaseback portfolio.

Gain on business divestiture increased by $84.1 million during the fiscal 2019 as compared to fiscal 2018, primarily due to the gain on the sale of our commercial sale-leaseback portfolio of $143.4 million, compared to the gain on sale of $59.3 million for the sale of our microinverter business recorded during fiscal 2018.

Income from transition services agreement, net

(In thousands, except percentages)	Fiscal Year 2020	2019	2018
Income from transition services agreement	$(6,260)	$—	$—
As a percentage of revenue	(1)%	—%	—%

In connection with the Spin-Off, we and Maxeon Solar entered into a transition services agreement, under which, we are providing certain labor and non-labor services to Maxeon Solar, and also receiving certain limited services with respect to certain shared processes post Spin-Off. The term of the transition services agreement is 12 months, extendable for up to an additional 180 days, and the services are billed at cost plus a standard mark-up. During the fiscal year ended January 3, 2021, we recorded $6.6 million of income for services provided under the agreement. This was offset by $0.3 million of services provided by Maxeon Solar to us, resulting in a net reduction of $6.3 million to operating expenses on the consolidated statement of operations.

Other Income (Expense), Net

(In thousands, except percentages)	Fiscal Year 2020	2019	2018
Interest income	$ 754	$ 2,313	$ 2,349
Interest expense	(33,153)	(48,962)	(108,258)
Other income (expense):			
Other, net	692,980	177,084	42,553
Other income (expense), net	$660,581	$130,435	$ (63,356)
As a percentage of revenue	59%	12%	(5)%

Interest expense decreased by $15.8 million during fiscal 2020 as compared to fiscal 2019, primarily due to the sale of the commercial sale-leaseback portfolio during fiscal 2019 as well as the retirement of the majority of our convertible debentures due in 2021 during fiscal 2020.

Interest expense decreased by $59.3 million during fiscal 2019 as compared to fiscal 2018, primarily due to elimination of the non-recourse residential financing obligations in connection with the sale of the Residential Lease Portfolio in November 2018, as well as the elimination of the sales-leaseback financing obligations in connection with the sale of the commercial sale-leaseback portfolio during fiscal 2019.

Other income increased by $515.9 million during fiscal 2020 as compared to fiscal 2019, primarily due to a $692.1 million gain on an equity investment with readily determinable fair value during fiscal 2020, as compared to a gain of $158.3 million during fiscal 2019. Additionally, we had a gain of $17.3 million in fiscal 2019 relating to sale of certain international power plant projects in Chile and South Africa that did not recur in fiscal 2020.

Other income increased by $134.5 million during fiscal 2019 as compared to fiscal 2018, primarily due to a $158.3 million gain on an equity investment with readily determinable fair value during fiscal 2019, as compared to a loss of $6.4 million during fiscal 2018. Additionally, gain on sale of equity investments without readily determinable fair value during fiscal 2019 was $17.3 million for power plant projects sold in Chile and South Africa, compared to $54.2 million during fiscal 2018 related to gain on sale of our equity interest in 8point3 Energy Partners.

Income Taxes

(In thousands, except percentages)	Fiscal Year 2020	2019	2018
Provision for income taxes	$(57,549)	$(16,509)	$(2,060)
As a percentage of revenue	(5)%	(2)%	—%

In the year ended January 3, 2021, our income tax provision of $57.5 million on income from continuing operations before income taxes and equity in earnings of unconsolidated investees of $654.6 million was primarily due to state tax expenses arising from the taxable gains related to the Spin-Off transaction, withholding taxes from foreign dividend distributions, sale of equity investments, and deferred tax liability related to mark-to-market unrealized gain on equity investments. In the year ended December 29, 2019, our income tax provision of $16.5 million on income from continuing operations before income taxes and equity in earnings of unconsolidated investees of $191.0 million was primarily due to expenses from foreign power plant projects and tax expenses in foreign jurisdictions unrelated to Maxeon that were profitable. In the year ended December 30, 2018, our income tax provision of $2.1 million on income from continuing operations was primarily due tax expenses in foreign jurisdictions unrelated to Maxeon that were profitable.

In the year ended January 3, 2021, our income tax benefit of $3.2 million on a loss from discontinuing operations before income taxes and equity in earnings of unconsolidated investees of $125.6 million was primarily due to allocation of the state tax benefit related to discontinued operations; offset by foreign taxes in foreign jurisdictions that were profitable. In the year ended December 29, 2019, our income tax provision of $10.1 million on a loss from discontinuing operations before income taxes and equity in earnings of unconsolidated investees of $165.0 million was primarily due to tax expenses in foreign jurisdictions that were profitable. In the year ended December 30, 2018, our income tax benefit of $1.1 million for discontinued operations was primarily due to releases of valuation allowance in a foreign jurisdiction and tax reserves due to lapse of statutes of limitation offset by income tax expenses in foreign jurisdictions that were profitable.

We record a valuation allowance to reduce our deferred tax assets in the United States and Mexico to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment.

As of the end of fiscal year 2020, as part of SunPower's continuing operations, an insignificant amount of the accumulated foreign earnings was located outside of the United States and may be subjected to foreign income tax or withholding tax liability upon repatriations. However, the accumulated foreign earnings are intended to be indefinitely reinvested in our foreign subsidiaries; therefore, no such foreign taxes have been provided. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

On June 29, 2020, the California Assembly Bill ("AB 85") suspended the use of California net operating loss deduction and limited the maximum business incentive tax credit utilization to $5.0 million annually starting with tax years beginning on or after January 1, 2020 through December 31, 2022. In addition, states legislatures are considering limitations on tax attributes in order to raise tax revenues. As a result, our state income tax may increase if more states adopt restrictions on the use of tax attributes.

Equity in Earnings (Losses) of Unconsolidated Investees

	Fiscal Year		
(In thousands, except percentages)	**2020**	**2019**	**2018**
Equity in losses of unconsolidated investees	$—	$(1,716)	$(14,872)
As a percentage of revenue	—%	—%	(1)%

There is no earnings (losses) in unconsolidated investees in fiscal 2020, as we do not have any equity method investees in fiscal 2020. Our equity in losses of unconsolidated investees decreased by $13.2 million in fiscal 2019 as compared to fiscal 2018, primarily driven by a decrease in our share of losses of unconsolidated investees, specifically, 8point3 Energy Partners and its affiliates (the "8point3 Group") which we divested in June 2018.

Net Loss Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests

	Fiscal Year		
(In thousands, except percentages)	**2020**	**2019**	**2018**
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	$2,335	$34,037	$106,139

Prior to fiscal 2020, we entered into facilities with third-party tax equity investors under which the investors invest in a structure known as a partnership flip. We determined that we hold controlling interests in these less-than-wholly-owned entities and therefore we have fully consolidated these entities. We apply the HLBV (Hypothetical Liquidation at Book Value) method in allocating recorded net income (loss) to each investor based on the change in the reporting period, of the amount of net assets of the entity to which each investor would be entitled to under the governing contractual arrangements in a liquidation scenario.

During fiscal 2020, we attributed $2.3 million of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors in a jointly owned entity that is consolidated by us. The $31.7 million decrease in net loss attributable to noncontrolling interests and redeemable noncontrolling interests was primarily due to the deconsolidation of a majority of our residential lease assets during fiscal 2019.

During fiscal 2019 and 2018, we attributed $34.0 million and $106.1 million, respectively, of net losses primarily to the third-party investors as a result of allocating certain assets, including tax credits and accelerated tax depreciation benefits, to the investors. The $72.1 million decrease in net loss attributable to noncontrolling interests and redeemable noncontrolling interests was primarily due to the deconsolidation of a majority of our residential lease assets during fiscal 2018 and fiscal 2019, and partially offset by an increase in contributions by Hannon Armstrong for the equity interest in a new joint venture formed during fiscal 2019.

Critical Accounting Estimates

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

Revenue Recognition

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

We sell rooftop and ground-mounted solar power systems under construction and development agreements to our residential and commercial customers. In contracts where we sell completed systems as a single performance obligation, primarily to our joint venture for residential projects, we recognize revenue at the point-in-time when such systems are placed in service. Any advance payments received before control is transferred is classified as ''contract liabilities.''

Engineering, procurement, and construction (''EPC'') projects governed by customer contracts that require us to deliver functioning solar power systems are generally completed within three to twelve months from commencement of construction. Construction on large projects may be completed within eighteen to thirty-six months, depending on the size and location. We recognize revenue from EPC services over time as our performance creates or enhances an energy generation asset controlled by the customer. We use an input method based on cost incurred as we believe that this method most accurately reflects our progress toward satisfaction of the performance obligation. Under this method, revenue arising from fixed-price construction contracts is recognized as work is performed based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations.

Incurred costs include all direct material, labor, and subcontract costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and tools. Project material costs are included in incurred costs when the project materials have been installed by being permanently attached or fitted to the solar power system as required by the project's engineering design. Cost-based input methods of revenue recognition require us to make estimates of net contract revenues and costs to complete the projects. In making such estimates, significant judgment is required to evaluate assumptions related to the amount of net contract revenues, including the impact of any performance incentives, liquidated damages, and other payments to customers. Significant judgment is also required to evaluate assumptions related to the costs to complete the projects, including materials, labor, contingencies, and other system costs. If the estimated total costs on any contract are greater than the net contract revenues, we recognize the entire estimated loss in the period the loss becomes known and can be reasonably estimated.

Our arrangements may contain clauses such as contingent repurchase options, delay liquidated damages or early performance bonus, most favorable pricing, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics or milestones. Variable consideration is estimated at each measurement date at its most likely amount to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur and true-ups are applied prospectively as such estimates change.

Changes in estimates for sales of systems and EPC services occur for a variety of reasons, including but not limited to (i) construction plan accelerations or delays, (ii) product cost forecast changes, (iii) change orders, or (iv) changes in other information used to estimate costs. The cumulative effect of revisions to transaction prices or input cost estimates are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

Operations and Maintenance

We offer our customers various levels of post-installation operations and maintenance (''O&M'') services in our residential as well as commercial business with the objective of optimizing our customers' electrical energy production over the life of the system. We determine that the post-installation systems monitoring and maintenance qualifies as a separate performance obligation. Post-installation monitoring and maintenance is deferred at the time the contract is executed, based on the estimate of selling price on a standalone basis, and is recognized to revenue over time as customers receive and consume benefits of such services. The non-cancellable term of the O&M contracts are typically 90 days for commercial and residential customers and 180 days for power plant customers.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. In connection with system output performance warranties, we agree to pay liquidated damages in the event the system does not perform to the stated specifications, with certain exclusions. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period, and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer an amount based on the value of the shortfall of energy produced relative to the applicable warrantied performance level. Such liquidated damages represent a form of variable consideration and are estimated at contract inception and updated at each reporting period and recognized over time as customers receive and consume the benefits of the O&M services.

Subsequent to the sale of O&M business in the second quarter of fiscal 2020, we sold a substantial majority of our commercial O&M contracts except for selected large utility scale power plant projects in North America at a fixed price to NovaSource. Refer to Note 5. *Business Divestiture and Sale of Assets* for further details. We continue to provide O&M services to our residential customers.

Lease Accounting

Arrangements with SunPower as a Lessee

We determine if an arrangement is a lease at inception. Our operating lease agreements are primarily for real estate and are included within operating lease right-of-use ("ROU") assets and operating lease liabilities on the consolidated balance sheets. We elected the practical expedient to combine our lease and related non-lease components for all our leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Variable lease payments that do not depend on an index or rate are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. We use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets also include any lease prepayments made and exclude lease incentives. Many of our lessee agreements include options to extend the lease, which we do not include in our minimum lease terms unless they are reasonably certain to be exercised. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Sale-Leaseback Arrangements

We enter into sale-leaseback arrangements under which solar power systems are sold to third parties and subsequently leased back by us over lease terms of up to 25 years.

We classify our initial sale-leaseback arrangements of solar power systems as operating leases, in accordance with the underlying accounting guidance on leases. We may sell our lessee interests in these arrangements in entirety before the end of the underlying term of the leaseback.

For all sale-leaseback arrangements classified as operating leases, any gain on sale up to the difference in the cost basis and fair value is recognized immediately. Any amount in excess of the proceeds compared to the fair value of the solar power systems is deferred and recognized over the term of the lease. Failed sale-leaseback arrangements are accounted for under the financing method. The proceeds received from the sale of the solar power systems are recorded as financing liabilities. The financing liabilities are subsequently reduced by our payments to lease back the solar power systems, less interest expense calculated based on our incremental borrowing rate adjusted to the rate required to prevent negative amortization. Refer to Note 5. *Business Divestiture and Sale of Assets*, for details of the sale of our commercial sale-leaseback portfolio during fiscal 2020.

Arrangements with SunPower as a Lessor

Solar Services

We offer solar services, in partnership with third-party financial institutions, which allows our residential customers to obtain continuous access to SunPower solar power systems under contracts for terms of up to 20 years. Solar services revenue is primarily comprised of revenue from such contracts wherein we provide continuous access to an operating solar system to third parties.

We also apply for and receive Solar Renewable Energy Credits (''SRECs'') associated with the energy generated by our solar energy systems and sell them to third parties in certain jurisdictions. SREC revenue is estimated net of any variable consideration related to possible liquidated damages if we were to deliver fewer SRECs than contractually committed and is generally recognized upon delivery of the SRECs to the counterparty.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to our solar services customers. In connection with system output performance warranties, we agree to pay liquidated damages in the event the system does not perform to the stated specifications, with certain exclusions. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer an amount based on the value of the shortfall of energy produced relative to the applicable warrantied performance level. Such liquidated damages represent a form of variable consideration and are estimated at contract inception and updated at each reporting period and recognized over time as customers receive and consume the benefits of the solar services.

There are rebate programs offered by utilities in various jurisdictions and are issued directly to homeowners based on the lease agreements; the homeowners assign these rights to rebate to us. These rights to rebate are considered non-cash consideration, measured based on the utilities' rebates from the installed solar panels on the homeowners' roofs and recognized over the lease term.

Revenue from solar services contracts entered into prior to the adoption of ASC 842 were accounted for as leases under the superseded lease accounting guidance and reported within ''Residential leasing'' on the consolidated statement of operations.

Impairment of Long-Lived Assets

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

Product Warranties

We provide a workmanship warranty of up to 25 years from installation and a 25-year standard warranty for previously SunPower-manufactured microinverters. We also warranty for our installed systems for defective materials and workmanship for periods ranging up to 25 years. We pass through to customers warranties from the original equipment manufacturers of certain system components such as solar panels, monitoring equipment and inverters. For such components, our warranties may exceed the warranty coverage from the original equipment manufacturers. For solar energy systems we do not install directly, we receive workmanship warranties from our solar partners.

In addition, we also provide a separate system output performance warranty to customers that have subscribed to our post-installation monitoring and maintenance services which expires upon termination of the post-installation monitoring and maintenance services related to the system. The warrantied system output performance level varies by system depending on the characteristics of the system and the negotiated agreement with the customer, and the level declines over time to account for the expected degradation of the system. Actual system output is typically measured annually for purposes of determining whether warrantied performance levels have been met. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period, and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer a liquidated damage based on the value of the shortfall of energy produced relative to the applicable warrantied performance level.

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

Inventories

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

Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are compared to expected demand regularly. We anticipate total obligations related to long-term supply agreements for inventories will be realized because quantities are less than our expected demand for our solar power products over a period of years; however, if raw materials inventory balances temporarily exceed near-term demand, we may elect to sell such inventory to third parties to optimize working capital needs. Our classification of our inventory as either current or long-term inventory requires us to estimate the portion of on-hand inventory that we estimate will be realized over the next 12 months.

Variable Interest Entities ("VIE")

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

Accounting for Income Taxes

As of the end of fiscal year 2020 and as part of SunPower's continuing operations, an insignificant amount of the accumulated foreign earnings was located outside of the United States and may be subjected to foreign income tax or withholding tax liability upon repatriations. However, the accumulated foreign earnings are intended to be indefinitely reinvested in our foreign subsidiaries; therefore, no such foreign taxes have been provided. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

We record a valuation allowance to reduce our U.S. and Mexico deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment. As of January 3, 2021, we believe there is insufficient evidence to realize additional U.S. and Mexico deferred tax assets beyond the state net operating losses that can be benefited through a carryback election; however, the reversal of the valuation allowance, which could be material, could occur in a future period.

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

Liquidity and Capital Resources

Cash Flows

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

	Fiscal Year Ended		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Net cash used in operating activities	$(187,391)	$(270,413)	$(543,389)
Net cash provided by investing activities	$ 129,190	$ 21,366	$ 274,900
Net cash (used in) provided by financing activities	$(153,852)	$ 344,314	$ 85,847

Operating Activities

Our net cash used in operating activities for the year ended January 3, 2021 of $187.4 million, which was lower than the net income of $474.0 million, primarily due to (i) non-cash gain of $692.1 million gain on equity investments with readily determinable fair value; (ii) $78.3 million decrease in accounts payable and other accrued liabilities; (iii) $36.0 million decrease in contract liabilities; (iv) $29.8 million increase in inventories to support the construction of our solar energy projects; (v) $12.1 million increase in contract assets; (vi) non-cash gain of $10.3 million on business divestiture; (vii) $10.4 million decrease in operating lease liabilities; (viii) $6.2 million increase in prepaid expenses and other assets; and (ix) $8.2 million increase in project assets; This decrease was partially offset by: (i) $99.0 million decrease in accounts receivable; (ii) non-cash charge of $48.3 million relating to depreciation and amortization; (iii) non-cash charges of $24.8 million relating to stock-based compensation; (iv) $19.2 million net change in deferred income taxes; (v) $13.5 million decrease in advances to suppliers; (vi) $10.6 million decrease in operating lease right-of-use assets; and (vii) $6.6 million non-cash interest expense.

Our net cash used in operating activities for the year ended December 29, 2019 of $270.4 million, which was primarily the result of net loss of $7.7 million and items consisting primarily of (i) $158.3 million non-cash mark-to-market gain on equity investments with readily determinable fair value; (ii) $143.4 million non-cash gain on business divestiture; (iii) $128.4 million increase in inventories to support the construction of our solar energy projects; (iv) $67.2 million increase in accounts receivable, primarily driven by billings in excess of collections; (v) $38.2 million increase in contract assets driven by construction activities; (vi) $25.2 million non-cash gain on sale of assets; (vii) $17.3 million non-cash gain on sale of equity investments without readily determinable fair value; (viii) $8.9 million decrease in operating lease liabilities; (ix) $8.8 million increase in prepaid expenses and other assets, primarily related to movements in prepaid inventory; and (xi) $2.2 million increase in project assets, primarily related to the construction of our commercial solar energy projects. This decrease was partially offset by: (i) non-cash charge of $80.1 million depreciation and amortization; (ii) $79.3 million increase in accounts payable and other accrued liabilities; (iii) $50.2 million increase in advances to suppliers; (iv) $33.8 million non-cash loss on sale and impairment of residential lease assets; (v) $27.5 million increase in contract liabilities driven by construction activities; (vi) non-cash charges of $26.9 million relating to stock-based compensation; (vii) $9.5 million non-cash interest expense; (viii) $8.6 million decrease in operating lease right-of-use assets; (ix) $7.1 million loss in equity in earnings of unconsolidated investees; (x) $5.9 million non-cash restructuring charges; (xi) $5.0 million non-cash net change in deferred income taxes; (xii) $1.0 million of bad debt expense; and (xiii) impairment of long-lived assets of $0.8 million.

Our net cash used in operating activities for the year ended December 30, 2018 was $543.4 million, which was primarily the result of net loss of $917.5 million and items consisting primarily of (i) $182.9 million increase in long-term financing receivables related to our net investment in sales-type leases; (ii) $127.3 million decrease in accounts payable and other accrued liabilities, primarily attributable to payments of accrued expenses; (iii) $59.3 million non-cash gain on business divestiture; (iv) $54.2 million non-cash gain on the sale of equity investments; (v) $43.5 million increase in contract assets driven by construction activities; (vi) $39.2 million increase in inventories due to the support of various construction projects; (vii) $30.5 million decrease in contract liabilities driven by construction activities; (viii) $6.9 million non-cash increase in deferred income taxes and (ix) $6.8 million increase due to other various non-cash activities. This was partially offset by: (i) non-cash impairment of property, plant and equipment of $369.2 million; (ii) non-cash impairment of residential lease assets of $189.7 million; (iii) non-cash net charges of $162.1 million related to depreciation, stock-based compensation and other non-cash charges; (iv) loss on sale of residential lease assets of $62.2 million; (v) $44.4 million decrease in advance payments made to suppliers; (vi) $39.5 million decrease in project assets, primarily related to the construction of our Commercial solar energy projects; (vii) $22.8 million decrease in prepaid expenses and other assets, primarily related to the receipt of prepaid inventory; (viii) $17.8 million decrease in equity in non-cash earnings of unconsolidated investees; (ix) $15.3 million non-cash interest expense; (ix) $6.9 million non-cash net change in income taxes; (x) $6.4 million non-cash unrealized loss on equity investments with readily determinable fair value; and (xi) $3.9 million non-cash dividend from equity method investees.

Investing Activities

Net cash provided by investing activities for the year ended January 3, 2021 was $129.2 million, which was the primarily result of: (i) $253.0 million proceeds from sale of equity investments; (ii) $15.4 million proceeds from business divestiture; (iii) $7.7 million proceeds from return of capital of equity investments with fair value option; and (iv) $6.6 million proceeds from maturities of marketable securities. This was offset by (i) $131.1 million cash outflow upon Spin-Off; (ii) $14.6 million purchases of property, plant and equipment; and (iii) $6.5 million cash paid for solar power systems.

Net cash provided by investing activities for the year ended December 29, 2019 was $21.4 million, which included (i) proceeds of $60.0 million from sale of property, plant, and equipment; (ii) $42.9 million proceeds from sale of investments; (iii) net proceeds of $40.5 million from business divestiture; and (iv)$2.0 million of proceeds from sale of distribution rights of debt refinancing. This was partially offset by (i) cash paid for solar power systems of $53.3 million; (ii) $47.4 million of purchases of property, plant and equipment; (iii) cash paid for investments in unconsolidated investees of $12.4 million; and (iv) $10.9 million of cash de-consolidated from the sale of residential lease assets.

Net cash provided by investing activities in fiscal 2018 was $274.9 million, which included (i) proceeds from the sale of investment in joint ventures and non-public companies of $453.7 million; (ii) proceeds of $23.3 million from business divestiture; and (iii) a $13.0 million dividend from equity method investees. This was partially offset by: (i) $155.3 million in capital expenditures primarily related to the expansion of our solar cell manufacturing capacity and costs associated with solar power systems, leased and to be leased; (ii) $28.0 million cash outflow from sale of residential lease portfolio, net of cash received; (iii) $17.0 million cash paid for acquisitions, net of cash acquired; and (iv) $14.7 million paid for investments in consolidated and unconsolidated investees.

Financing Activities

Net cash used in financing activities for the year ended January 3, 2021 was $153.9 million, which was the primarily result of: (i) $334.7 million repurchase of convertible debt; (ii) $227.7 million repayments of bank loans and other debt; (iii)$12.8 million purchases of stock for tax withholding obligations on vested restricted stock; and (iv) $9.0 million repayment of non-recourse residential and commercial financing. This was offset by (i) $216.5 million proceeds from bank loans and other debt; (ii) $14.8 million proceeds from issuance of non-recourse residential and commercial financing; and (iii) $200.0 million proceeds from issuance of Maxeon Solar green convertible debt.

Net cash provided by financing activities for the year ended December 29, 2019 was $344.3 million, which included: (i) $171.8 million from the common stock offering; (ii) $110.9 million in net proceeds of bank loans and other debt; (iii) $69.2 million net proceeds from the issuance of non-recourse residential financing, net of issuance costs; (iv) $35.5 million of net contributions from noncontrolling interests and redeemable noncontrolling interests related to residential lease projects; and (v) $3.0 million of proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs. This was partially offset by (i) $39.0 million of payment associated with prior business combination; (ii) $5.6 million in purchases of treasury stock for tax withholding obligations on vested restricted stock; and (iii) $1.6 million settlement of contingent consideration arrangement, net of cash received.

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

Debt and Credit Sources

For information about the terms of debt instruments and changes thereof in the period, see ''Item 8. Financial Statements and Supplementary Data-Notes to Consolidated Financial Statements-Note 12. *Debt and Credit Sources*''.

Liquidity

As of January 3, 2021, we had unrestricted cash and cash equivalents of $232.8 million as compared to $302.0 million as of December 29, 2019. We expect to invest capital to develop solar power systems and plants for sale to customers, especially for development and construction projects in our commercial and industrial segment. The development of solar power plants can require long periods of time and substantial initial investments, our efforts in this area may consist of all stages of development, including land acquisition, permitting, financing, construction, operation, and the eventual sale of the projects. We often choose to bear the costs of such efforts prior to the final sale to a customer, which involves significant upfront investments of resources (including, for example, large transmission deposits, or other payments, which may be non-refundable), land acquisition, permitting, legal and other costs, and in some cases the actual costs of constructing a project, in advance of the signing of PPAs and EPC contracts and the receipt of any revenue, much of which is not recognized for several additional months or years following contract signing. Any delays in disposition of one or more projects could have a negative impact on our liquidity. We often make arrangements with third-party financiers to acquire and build solar power systems or to fund project construction using non-recourse project debt. As of January 3, 2021, outstanding amounts related to our project financing totaled $15.1 million. As of January 3, 2021, our cash balances are held primarily held in U.S. however, we had approximately $3.1 million held outside of the United States. This offshore cash is used to fund operations of our business in the Mexico, Canada and Asia Pacific regions, which require local payment for product materials and other expenses.

Certain of our customers also require performance bonds issued by a bonding agency or letters of credit issued by financial institutions, which are returned to us upon satisfaction of contractual requirements. If there is a contractual dispute with the customer, the customer may withhold the security or make a draw under such security, which could have an adverse impact on our liquidity. Obtaining letters of credit may require adequate collateral. Our

September 2011 letter of credit facility with Deutsche Bank Trust is fully collateralized by restricted cash, which reduces the amount of cash available for operations. As of January 3, 2021, letters of credit issued under the Deutsche Bank Trust facility amounted to $2.7 million which were fully collateralized with restricted cash on our consolidated balance sheets.

There are no assurances, however, that we will have sufficient available cash to repay our indebtedness or that we will be able to refinance such indebtedness on similar terms to the expiring indebtedness. If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain other debt financing. The current economic environment and other factors, however, could limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms in the amounts that would be required to supplement cash flows to support operations. The sale of additional equity or convertible debt securities would result in additional dilution to our stockholders (and the potential for further dilution upon the exercise of warrants or the conversion of convertible debt) and may not be available on favorable terms or at all. Additional debt would result in increased expenses and would likely impose new restrictive covenants which may be similar or different than those restrictions contained in the covenants under our current loan agreements and debentures. In addition, financing arrangements, including project financing for our solar power plants and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us. We also continue to focus on improving our overall operating performance and liquidity, including managing cash flow and working capital.

We believe that our total cash and cash equivalents will be sufficient to meet our obligations over the next 12 months from the date of issuance of our financial statements, including repayment of the remaining $62.6 million principal amount outstanding under the 0.875% debentures due 2021. In addition, we have historically been successful in our ability to divest certain investments and non-core assets including some of our equity investments, secure other sources of financing, such as accessing the capital markets, and implement other cost reduction initiatives such as restructuring, to address our liquidity needs; however, our ability to take these steps may be adversely affected by many factors impacting us and the markets generally, including the COVID-19 pandemic. If alternative actions were to be necessary, we believe they could be implemented prior to the maturity date of the 0.875% debentures due 2021.

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned. Additionally, we are uncertain of the full extent to which the COVID-19 pandemic will impact our business, operations, and financial results over time.

Contractual Obligations

The following table summarizes our material contractual obligations and cash requirements for future periods as of January 3, 2021:

		Payments Due by Fiscal Period			
(In thousands)	**Total**	**2021**	**2022-2023**	**2024-2025**	**Beyond 2025**
Convertible debt, including interest[1]	$ 522,616	$ 79,908	$442,708	$ —	$ —
CEDA loan, including interest[2]	56,775	2,550	5,100	5,100	44,025
Other debt, including interest[3]	134,555	104,664	25,219	2,037	2,635
Operating lease commitments[4]	77,919	14,164	26,543	12,440	24,772
Non-cancellable purchase orders[5]	37,437	37,437	—	—	—
Supply agreement commitments[6]	394,411	248,965	137,654	2,485	5,307
Total	$1,223,713	$487,688	$637,224	$22,062	$76,739

1 Convertible debt, including interest, relates to the aggregate of $487.6 million in outstanding principal amount of our senior convertible debentures on January 3, 2021. For the purpose of the table above, we assume that all holders of the outstanding debentures will hold the debentures through the date of maturity, and upon conversion, the values of the senior convertible debentures will be equal to the aggregate principal amount with no premiums.

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

3 Other debt, including interest, primarily relates to non-recourse finance projects and solar power systems and leases under our residential lease program as described in Note 12. *Debt and Credit Sources.*

[4] Operating lease commitments primarily relate to various facility lease agreements including leases entered into that have not yet commenced.

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

[6] Purchase commitments under agreements primarily relate to arrangements entered into with several suppliers, including Maxeon Solar for purchase of photovoltaic solar modules, as well as with a supplier for module-level power electronics and alternating current cables. These agreements specify future quantities and pricing of products to be supplied by the vendors for periods 2 years and 5 years, respectively, and there are certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event we terminate these arrangements.

Liabilities Associated with Uncertain Tax Positions

Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement will be made for our liabilities associated with uncertain tax positions in other long-term liabilities. Therefore, they have been excluded from the table above. As of January 3, 2021 and December 29, 2019, total liabilities associated with uncertain tax positions were $12.6 million and $7.2 million, respectively, and are included within ''Other long-term liabilities'' in our consolidated balance sheets as they are not expected to be paid within the next twelve months.

ITEM 7A: *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Credit Risk

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

Interest Rate Risk

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

We do not believe that an immediate 10% increase in interest rates would have a material effect on our financial statements under potential future borrowings. In addition, lower interest rates would have an adverse impact on our interest income. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% decrease in interest rates would have a material effect on the fair market value of our money market funds. Since we believe we have the ability to liquidate substantially all of this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

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

As of January 3, 2021 and December 29, 2019, we did not have material minority investments in joint ventures or other public and non-public companies that are accounted for using the measurement alternative method.

On August 9, 2018, we completed the sale of certain assets and intellectual property related to the production of microinverters to Enphase in exchange for $25.0 million in cash and 7.5 million shares of Enphase common stock (NASDAQ: ENPH). We received the common stock and a $15.0 million cash payment upon closing, and received the final $10.0 million cash payment of the purchase price on December 10, 2018. The common stock was recorded as an equity investment with readily determinable fair value (Level 1), with changes in fair value recognized in net income. For fiscal 2020 and 2019, we recorded a gain of $690.8 million and a gain of $158.3 million, respectively, within ''other, net'' in our consolidated statement of operations. During the year ended December 29, 2019, we sold 1 million shares of Enphase common stock for cash proceeds of $20.6 million. During the fiscal year ended January 3, 2021, we sold an additional three million shares of Enphase common stock in open market transactions for cash proceeds of $250.6 million. As of January 3, 2021, we retained 3.5 million shares of Enphase common stock.

Interest Rate Risk and Market Price Risk Involving Debt

As of January 3, 2021, we had outstanding convertible debentures with an aggregate face value of $487.6 million, comprised of $425.0 million aggregate principal amount of our 4.00% debentures due in 2023 and $62.6 million aggregate principal amount of our 0.875% debentures due in 2021. Estimated fair values are based on quoted market prices as reported by an independent pricing source. The fair market value of our debentures is subject to interest rate risk, market price risk, and other factors due to the convertible feature of the debentures. The fair market value of the debentures will generally increase as interest rates fall, and decrease as interest rates rise. When our common stock price is in-the-money relative to these fixed stock price conversion rates, the fair market value of the debentures will generally increase as the market price of our common stock increases, and decrease as our common stock's market price falls, based on each debenture's respective fixed conversion rate. The interest and market value changes affect the fair market value of the debentures, but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligations, except to the extent increases in the value of our common stock may provide the holders the right to convert such debentures into stock, or cash, in certain instances, but only applicable during periods when our common stock is in-the-money relative to such conversion rights. As of the date of this report, since our common stock price is above the conversion price for both debentures, and therefore, both the instruments are 'in-the-money', the holders could exercise the option to convert their holdings at their respective conversion price. Based on the amounts outstanding as of January 3, 2021, a 10% increase in our common stock upon such conversion, will reduce the debt by a corresponding amount. There is no other material impact of such change on our consolidated financial statements.

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

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

SUNPOWER CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SunPower Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SunPower Corporation (the Company) as of January 3, 2021 and December 29, 2019, the related consolidated statements of operations, comprehensive income (loss), equity (deficit), and cash flows for each of the three years in the period ended January 3, 2021, and the related notes (collectively referred to as the ''consolidated financial statements''). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 3, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 3, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Warranty reserves

Description of the Matter

As discussed in Notes 1 and 10 to the consolidated financial statements, the Company provides a workmanship warranty of up to 25 years from installation and a 25-year standard warranty for SunPower-manufactured microinverters. The Company also warrants its installed systems for defective materials and workmanship for periods ranging up to 25 years as well as provides a separate system output performance warranty to customers that have subscribed to the Company's post-installation monitoring and maintenance services. The Company's warranty reserves, which totaled $81.7 million as of January 3, 2021, are generally computed using a statistical model that incorporates assumptions based on management's best estimate of expected costs that could result from these warranties. This estimate considers a variety of factors, including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and industry data for similar products.

Auditing the Company's warranty accrual involved a high degree of subjectivity due to significant measurement uncertainty associated with the estimate given the relatively short period of available historical data in relation to the future warranty period, and the sensitivity of the Company's estimation of required reserves to changes in significant assumptions, including management's projection of future failure rates and expected product repair or replacement costs.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the warranty reserve process. This included controls over the development and review of the significant assumptions and data underlying the warranty reserve computation.

Our audit procedures included, among others, evaluating the significant assumptions used by the Company in estimating warranty reserve. For example, we assessed the historical accuracy of management's estimates, obtained support to evaluate repair or replacement cost estimates and failure rate assumptions, and performed sensitivity analyses to evaluate the effect of potential changes in assumptions that were most significant to the estimate. We also involved specialists to assist in the evaluation of the methodology applied, including the recalculation of management's assumptions, within the Company's statistical model.

Inventory valuation

Description of the Matter

The Company's inventories, inclusive of $27.8 million of inventories classified as long-term assets, totaled $239.9 million as of January 3, 2021 representing 15% of consolidated total assets. As explained in Note 1 to the consolidated financial statements, the Company computes inventory cost on a first-in, first-out basis, and applies judgment in determining the realizability and the valuation of inventories. Excess and obsolete inventory is written down to its estimated net realizable value if less than cost. The determination of the net realizable value associated with the eventual disposition of inventory involves significant judgments that consider a number of factors affected by market and economic conditions outside the Company's control. In particular, the significant assumptions applied are sensitive to the expected demand for the Company's products in relation to industry supply and demand and competitive pricing environments. These assumptions may be impacted by unforeseen changes in government mandates and in the availability and size of economic incentives that impact solar and other renewable energy products.

Auditing management's assessment of net realizable value for inventory was challenging because it involved subjective auditor judgment to evaluate management's assessment of the factors that are affected by market and economic conditions outside the Company's control.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the inventory valuation process. This included controls over the determination and calculation of the inventory's expected lower of cost or net realizable value, including related estimated selling prices, and the Company's excess and obsolete inventory reserve process, including the determination of product demand forecasts and how factors outside of the Company's control might affect management's judgment related to the valuation of excess and obsolete inventory.

Our substantive audit procedures included, among others, evaluating the significant assumptions, including the Company's estimated selling prices and product demand forecasts, and testing the underlying data used in management's inventory valuation assessment. We evaluated inventory levels compared to forecasted product demand, historical sales and specific product considerations. We also compared the demand forecast to business plans and previous forecasts to actual results and industry and economic trends to evaluate management's estimates and performed sensitivity analyses over significant assumptions to evaluate the changes in inventory valuation that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.
San Jose, California
February 19, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SunPower Corporation

Opinion on Internal Control over Financial Reporting

We have audited SunPower Corporation's internal control over financial reporting as of January 3, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, SunPower Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 3, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 3, 2021 and December 29, 2019, the related consolidated statements of operations, comprehensive income (loss), equity (deficit), and cash flows for each of the three years in the period ended January 3, 2021, and the related notes and our report dated February 19, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

San Jose, California
February 19, 2021

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

	January 3, 2021	December 29, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 232,765	$ 301,999
Restricted cash and cash equivalents, current portion	5,518	26,348
Accounts receivable, net[1]	108,864	127,878
Contract assets[1]	114,506	99,426
Inventories	210,582	163,405
Advances to suppliers, current portion	2,814	31,843
Project assets - plants and land, current portion	21,015	12,650
Prepaid expenses and other current assets[1]	94,251	86,755
Current assets of discontinued operations	—	530,627
Total current assets	790,315	1,380,931
Restricted cash and cash equivalents, net of current portion	8,521	9,354
Property, plant, and equipment, net	46,766	55,860
Operating lease right-of-use assets	54,070	40,699
Solar power systems leased, net	50,401	54,338
Other intangible assets, net	697	7,121
Other long-term assets	695,712	277,805
Long-term assets of discontinued operations	—	345,813
Total assets	$ 1,646,482	$ 2,171,921
Liabilities and Equity		
Current liabilities:		
Accounts payable[1]	$ 166,066	$ 207,062
Accrued liabilities[1]	121,915	116,276
Operating lease liabilities, current portion	9,736	7,559
Contract liabilities, current portion[1]	72,424	91,345
Short-term debt	97,059	44,473
Convertible debt, current portion	62,531	—
Current liabilities of discontinued operations	—	431,694
Total current liabilities	529,731	898,409
Long-term debt	56,447	112,340
Convertible debt[1], net of current portion	422,443	820,259
Operating lease liabilities, net of current portion	43,608	36,657
Contract liabilities, net of current portion[1]	30,170	31,922
Other long-term liabilities	157,597	157,774
Long-term liabilities of discontinued operations	—	93,061
Total liabilities	1,239,996	2,150,422
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; none issued and outstanding as of January 3, 2021 and December 29, 2019	—	—
Common stock, $0.001 par value; 367,500 shares authorized; 183,442 shares issued and 170,428 shares outstanding as of January 3, 2021; 179,845 shares issued and 168,121 shares outstanding as of December 29, 2019	170	168
Additional paid-in capital	2,685,920	2,661,819
Accumulated deficit	(2,085,246)	(2,449,679)
Accumulated other comprehensive income (loss)	8,799	(9,512)
Treasury stock, at cost: 13,014 shares of common stock as of January 3, 2021; 12,770 shares of common stock as of December 29, 2019	(205,476)	(192,633)
Total stockholders' equity	404,167	10,163
Noncontrolling interests in subsidiaries	2,319	11,336
Total equity	406,486	21,499
Total liabilities and equity	$ 1,646,482	$ 2,171,921

1 We have related-party balances for transactions made with TOTAL SE and its affiliates, Maxeon Solar and unconsolidated entities in which we have a direct equity investment. These related-party balances are recorded within the ‘‘accounts receivable, net,’’ ‘‘contract assets,’’ ‘‘accounts payable,’’ ‘‘accrued liabilities,’’ ‘‘contract liabilities, current portion,’’ ‘‘convertible debt, net of current portion,’’ and ‘‘contract liabilities, net of current portion’’ financial statement line items on our consolidated balance sheets (see Note 3, Note 10, Note 11, Note 12, and Note 13).

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

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

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Revenue:			
Solar power systems, components, and other[1]	$1,103,823	$1,063,150	$ 930,102
Residential leasing	5,323	10,405	272,209
Solar services	15,683	18,671	—
	1,124,829	1,092,226	1,202,311
Cost of revenue:			
Solar power systems, components, and other[1]	946,164	913,299	873,798
Residential leasing	4,795	7,345	180,016
Solar services	6,743	8,104	—
	957,702	928,748	1,053,814
Gross profit	167,127	163,478	148,497
Operating expenses:			
Research and development[1]	22,381	34,217	49,240
Sales, general, and administrative	164,703	172,109	200,069
Restructuring charges	2,604	14,627	9,731
Loss on sale and impairment of residential lease assets	45	25,352	251,984
Gain on business divestiture	(10,334)	(143,400)	(59,347)
Income from transition services agreement, net[1]	(6,260)	—	—
Total operating expenses	173,139	102,905	451,677
Operating (loss) income	(6,012)	60,573	(303,180)
Other income (expense), net:			
Interest income	754	2,313	2,349
Interest expense[1]	(33,153)	(48,962)	(108,258)
Other, net	692,980	177,084	42,553
Other income (expense), net	660,581	130,435	(63,356)
Income (loss) from continuing operations before income taxes and equity in losses of unconsolidated investees	654,569	191,008	(366,536)
Provision for income taxes	(57,549)	(16,509)	(2,060)
Equity in losses of unconsolidated investees	—	(1,716)	(14,872)
Net income (loss) from continuing operations	597,020	172,783	(383,468)
Loss from discontinued operations before income taxes and equity in losses of unconsolidated investees	(125,599)	(165,040)	(532,135)
Benefits from (provision for) income taxes	3,191	(10,122)	1,050
Equity in losses of unconsolidated investees	(586)	(5,342)	(2,943)
Net loss from discontinued operations	(122,994)	(180,504)	(534,028)
Net income (loss)	474,026	(7,721)	(917,496)
Net income from continuing operations attributable to noncontrolling interests and redeemable noncontrolling interests	2,335	34,037	106,139
Net income (loss) from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interests	(1,313)	(4,157)	266
Net income attributable to noncontrolling interests and redeemable noncontrolling interests	1,022	29,880	106,405

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

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Net income (loss) from continuing operations attributable to stockholders	599,355	206,820	(277,329)
Net loss from discontinued operations attributable to stockholders	(124,307)	(184,661)	(533,762)
Net income (loss) attributable to stockholders	$ 475,048	$ 22,159	$(811,091)
Net income (loss) per share attributable to stockholders - basic:			
Continuing operations	$ 3.53	$ 1.43	$ (1.97)
Discontinued operations	$ (0.73)	$ (1.28)	$ (3.79)
Net income (loss) per share - basic	$ 2.80	$ 0.15	$ (5.76)
Net income (loss) per share attributable to stockholders - diluted:			
Continuing operations	$ 3.11	$ 1.31	$ (1.97)
Discontinued operations	$ (0.63)	$ (1.09)	$ (3.79)
Net income (loss) per share - diluted	$ 2.48	$ 0.22	$ (5.76)
Weighted-average shares:			
Basic	169,801	144,796	140,825
Diluted	197,242	169,650	140,825

1 We have related-party transactions with TOTAL SE and its affiliates, Maxeon Solar, and unconsolidated entities in which we have a direct equity investment. These related-party transactions are recorded within the "revenue: solar power systems, components, and other," "cost of revenue: solar power systems, components, and other," "operating expenses: research and development," and "other income (expense), net: interest expense" financial statement line items in our consolidated statements of operations (see Note 3 , Note 11, and Note 13).

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

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

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Net income (loss)	$474,026	$ (7,721)	$(917,496)
Components of other comprehensive income (loss):			
Translation adjustment	2,783	(1,128)	(4,490)
Net change in derivatives	(741)	(1,094)	397
Net (loss) gain on long-term pension liability adjustment	(1,123)	(3,090)	2,901
Benefit from (provision for) Income taxes	(15)	(50)	50
Total other comprehensive income (loss)	904	(5,362)	(1,142)
Total comprehensive income (loss)	474,930	(13,083)	(918,638)
Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interests	$ 1,022	$ 29,880	$ 106,405
Comprehensive income (loss) attributable to stockholders	$475,952	$ 16,797	$(812,233)

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

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

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Equity (Deficit)
		Shares	Value							
Balances at December 31, 2017	**$ 15,236**	**139,658**	**$140**	**$2,442,513**	**$(181,539)**	**$ (3,008)**	**$(1,669,897)**	**$ 588,209**	**$104,179**	**$ 692,388**
Net loss	(29,171)	—	—	—	—	—	(811,091)	(811,091)	(77,235)	(888,326)
Other comprehensive loss	—	—	—	—	—	(1,142)	—	(1,142)	—	(1,142)
Issuance of restricted stock to employees, net of cancellations	—	2,267	2	—	—	—	—	2	—	2
Stock-based compensation expense	—	—	—	25,790	—	—	—	25,790	—	25,790
Contributions from noncontrolling interests	36,734	—	—	—	—	—	—	—	114,470	114,470
Distributions to noncontrolling interests	(7,425)	—	—	—	—	—	—	—	(13,438)	(13,438)
Purchases of treasury stock	—	(747)	(1)	—	(5,530)	—	—	(5,531)	—	(5,531)
Reduction of non-controlling interest due to sale of interest in residential lease portfolio[1]	(15,374)	—	—	—	—	—	—	—	(61,766)	(61,766)
Noncontrolling interest buyout	—	—	—	(4,933)	—	—	—	(4,933)	(7,400)	(12,333)
Balances at December 30, 2018	**—**	**141,178**	**141**	**2,463,370**	**(187,069)**	**(4,150)**	**(2,480,988)**	**(208,696)**	**58,810**	**(149,886)**
Net income (loss)	—	—	—	—	—	—	22,159	22,159	(29,880)	(7,721)
Cumulative-effect upon adoption of ASC 842	—	—	—	—	—	—	9,150	9,150	—	9,150
Other comprehensive loss	—	—	—	—	—	(5,362)	—	(5,362)	—	(5,362)
Issuance of restricted stock to employees, net of cancellations	—	2,461	3	—	—	—	—	3	—	3
Stock-based compensation expense	—	—	—	27,788	—	—	—	27,788	—	27,788
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	35,791	35,791
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(1,552)	(1,552)
Purchases of treasury stock	—	(818)	(1)	—	(5,564)	—	—	(5,565)	—	(5,565)
Reduction of non-controlling interests, due to sale of interest in residential lease portfolio	—	—	—	—	—	—	—	—	(51,833)	(51,833)
Issuance of common stock in connection with equity offering, net of underwriter fees and discounts	—	25,300	25	171,809	—	—	—	171,834	—	171,834
Common stock offering fees	—	—	—	(1,148)	—	—	—	(1,148)	—	(1,148)
Balances at December 29, 2019	**—**	**168,121**	**168**	**2,661,819**	**(192,633)**	**(9,512)**	**(2,449,679)**	**10,163**	**11,336**	**21,499**
Net income	—	—	—	—	—	—	475,048	475,048	(1,022)	474,026
Other comprehensive income	—	—	—	—	—	904	—	904	—	904
Issuance of restricted stock to employees, net of cancellations	—	3,597	3	—	—	—	—	3	—	3
Stock-based compensation expense	—	—	—	24,101	—	—	—	24,101	—	24,101
Purchases of treasury stock	—	(1,290)	(1)	—	(12,843)	—	—	(12,844)	—	(12,844)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,392)	(1,392)
Contributions to non-controlling interests	—	—	—	—	—	—	—	—	22	22
Issuance of Maxeon Solar green convertible notes	—	—	—	52,167	—	—	—	52,167	—	52,167
Impact of Maxeon Solar Spin-Off	—	—	—	(52,167)	—	17,407	(110,615)	(145,375)	(6,625)	(152,000)
Balances at January 3, 2021	**—**	**170,428**	**$170**	**$2,685,920**	**$(205,476)**	**$ 8,799**	**$(2,085,246)**	**$ 404,167**	**$ 2,319**	**$ 406,486**

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

SunPower Corporation
Consolidated Statements of Cash Flows
(In thousands)

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Cash flows from operating activities:			
Net income (loss)	$ 474,026	$ (7,721)	$(917,496)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	48,304	80,081	127,204
Non-cash restructuring charges	—	5,874	—
Stock-based compensation	24,817	26,935	26,353
Non-cash interest expense	6,562	9,472	15,346
Dividend from equity method investee	—	—	3,947
Bad debt expense	534	1,024	—
Equity in losses of unconsolidated investees	586	7,058	17,815
(Gain) loss on equity investments with readily determinable fair value	(692,100)	(158,288)	6,375
Gain on retirement of convertible debt	(2,182)	—	—
Gain on sale of assets	—	(25,212)	—
Gain on business divestiture	(10,334)	(143,400)	(59,347)
Gain on sale of investments without readily determinable fair value	—	(17,275)	(54,196)
Deferred income taxes	19,241	5,067	(6,862)
Impairment of property, plant, and equipment	—	777	369,168
Loss on sale and impairment of residential lease assets	1,024	33,778	251,984
Other, net	—	—	(6,796)
Changes in operating assets and liabilities:			
Accounts receivable	98,962	(67,218)	(175)
Contract assets	(12,063)	(38,246)	(43,509)
Inventories	(29,808)	(128,404)	(39,174)
Project assets	(8,187)	(2,188)	39,512
Prepaid expenses and other assets	(6,161)	(8,746)	22,763
Operating lease right-of-use assets	10,552	8,530	—
Long-term financing receivables, net - held for sale	—	(473)	(182,937)
Advances to suppliers	13,482	50,191	44,417
Accounts payable and other accrued liabilities	(78,269)	79,394	(127,286)
Contract liabilities	(35,976)	27,531	(30,495)
Operating lease liabilities	(10,401)	(8,954)	—
Net cash used in operating activities	(187,391)	(270,413)	(543,389)
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(14,577)	(47,395)	(44,906)
Cash paid for solar power systems, leased, net	—	—	(68,612)
Cash paid for solar power systems	(6,528)	(53,284)	(41,808)
Purchases of marketable securities	(1,338)	—	—
Proceeds from maturities of marketable securities	6,588	—	—
Cash outflow upon Maxeon Solar Spin-Off, net of proceeds[2]	(131,136)	—	—
Proceeds from business divestiture, net of cash[3]	15,418	40,491	23,257
Cash paid for acquisitions, net of cash acquired	—	—	(17,000)
Dividend from equity method investee	—	—	12,952
Proceeds from sale of assets	—	59,970	—

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

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Proceeds from sale of distribution rights of debt refinancing	—	1,950	—
Cash outflow from sale of residential lease portfolio, net of cash received	—	(10,923)	(28,004)
Proceeds from sale of equity investment	253,039	42,957	453,708
Proceeds from return of capital of equity investments with fair value option	7,724	—	—
Cash paid for investments in unconsolidated investees	—	(12,400)	(14,687)
Net cash provided by investing activities	129,190	21,366	274,900
Cash flows from financing activities:			
Proceeds from bank loans and other debt	216,483	381,928	227,676
Repayment of 0.75% debentures due 2018, bank loans, and other debt	(227,677)	(271,015)	(535,252)
Proceeds from issuance of non-recourse residential and commercial financing, net of issuance costs	14,789	72,259	192,287
Repayment of non-recourse residential and commercial financing	(9,044)	(2,959)	(17,358)
Contributions from noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	22	35,790	151,204
Distributions to noncontrolling interests and redeemable noncontrolling interests attributable to residential projects	(1,392)	(316)	(21,918)
Cash paid for repurchase of convertible debt	(334,732)	—	—
Proceeds from issuance of Maxeon Solar green convertible debt	200,000	—	—
Proceeds from issuance of non-recourse power plant and commercial financing, net of issuance costs	—	3,004	126,020
Repayment of non-recourse power plant and commercial financing	—	—	(31,282)
Proceeds of common stock equity offering, net of offering costs	—	171,834	—
Payment for prior business combination	—	(39,000)	—
Receipt of contingent asset of a prior business combination	2,245	—	
Settlement of contingent consideration arrangement of a prior business combination	(776)	(1,646)	—
Equity offering costs paid	(928)	—	—
Purchases of stock for tax withholding obligations on vested restricted stock	(12,842)	(5,565)	(5,530)
Net cash (used in) provided by financing activities	(153,852)	344,314	85,847
Effect of exchange rate changes on cash, cash equivalents, restricted cash, and restricted cash equivalents	200	(373)	2,068
Net (decrease) increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	(211,853)	94,894	(180,574)
Cash, cash equivalents, restricted cash, and restricted cash equivalents, beginning of period[1]	458,657	363,763	544,337
Cash, cash equivalents, restricted cash, and restricted cash equivalents, end of period[1]	$ 246,804	$ 458,657	$ 363,763

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

	Fiscal Year Ended		
	January 3, 2021	December 29, 2019	December 30, 2018
Non-cash transactions:			
Costs of solar power systems funded by liabilities	$ 635	$ 2,671	$ 3,631
Property, plant, and equipment acquisitions funded by liabilities	$ 866	$ 13,745	$ 8,214
Right-of-use assets obtained in exchange for lease obligations	$22,794	$111,142	$ —
Assumption of liabilities in connection with business divestiture[4]	$ 9,056	$ —	$ —
Holdbacks in connection with business divestiture[4]	$ 7,199	$ —	$ —
Costs of solar power systems sourced from existing inventory	$ 1,018	$ 29,206	$ —
Aged supplier financing balances reclassified from accounts payable to short-term debt	$ —	$ 45,352	$ —
Costs of solar power systems under sale-leaseback financing arrangements, sourced from project assets	$ —	$ —	$ 86,540
Acquisition funded by liabilities	$ —	$ —	$ 9,000
Contractual obligations satisfied with inventory	$ —	$ 1,701	$ 56,840
Assumption of debt by buyer upon sale of equity interest	$ —	$ —	$ 27,321
Retained interest in SunStrong lease portfolio	$ —	$ —	$ 9,750
Derecognition of financing obligations upon business divestiture	$ —	$590,884	$ —
Holdback related to sale of commercial sale-leaseback portfolio	$ —	$ 1,927	$ —
Receivables in connection with sale of residential lease assets	$ —	$ 2,570	$ 12,510
Assumption of debt by buyer in connection with sale of residential lease assets	$ —	$ 69,076	$561,588
Stock consideration received from a business divestiture	$ —	$ —	$ 42,600
Acquisition of noncontrolling interests funded by Mezzanine Loan proceeds	$ —	$ —	$ 12,400
Costs of solar power systems, leased, sourced from existing inventory	$ —	$ —	$ 36,384
Supplemental cash flow information:			
Cash paid for interest, net of amount capitalized	$31,704	$ 32,777	$ 99,204
Cash paid for income taxes	$18,708	$ 8,988	$ 7,800

1 The "Cash, cash equivalents, restricted cash, and restricted cash equivalents" balance consisted of "cash and cash equivalents," "restricted cash and cash equivalents, current portion," and "restricted cash and cash equivalents, net of current portion" financial statement line items on the consolidated balance sheets for the respective periods.

2 The amount for the fiscal year ended January 3, 2021 consists of $134.0 million of cash received from Maxeon Solar under the Separation and Distribution Agreement, net of de-consolidated cash of $265.1 million.

3 The amount for the year ended January 3, 2021 is net of de-consolidated cash of $0.6 million

4 See Note 5.

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

Notes to the Consolidated Financial Statements

Note 1. *ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Organization

SunPower Corporation (together with its subsidiaries, ‘‘SunPower,’’ the ‘‘Company,’’ ‘‘we,’’ ‘‘us,’’ or ‘‘our’’) is a leading solar energy company that delivers complete solar solutions to customers primarily in the United States and Canada through an array of hardware, software, and financing options and ‘‘Smart Energy’’ solutions. Our Smart Energy initiative is designed to add layers of intelligent control to homes, buildings, and grids—all personalized through easy-to-use customer interfaces. We are a leader in the U.S. downstream Distributed Generation (‘‘DG’’) market, providing an affordable and sustainable source of electricity compared to traditional utility energy to residential homeowners and commercial customers through multiple financial offerings. Our sales channels include a strong network of dealers and resellers that operate in both residential and commercial markets. SunPower is a majority-owned subsidiary of Total Solar INTL SAS (‘‘Total,’’ formerly Total Solar International SAS) and Total Gaz Electricité Holdings France SAS (‘‘Total Gaz’’), each a subsidiary of TOTAL SE (‘‘TOTAL SE,’’ formerly Total SA) (see ‘‘Note 3. *Transactions with Total and TOTAL SE*).

On August 26, 2020, we completed the spin-off (the ‘‘Spin-Off’’) of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares (‘‘Maxeon Solar’’), consisting of certain non-U.S. operations and assets of our former SunPower Technologies business unit. The Spin-Off was completed by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock (the ‘‘Distribution’’) as of the close of business on August 17, 2020.

As a result of the Spin-Off, we no longer consolidate Maxeon Solar within our financial results of continuing operations. For all the periods prior to the Spin-Off, the financial results of Maxeon Solar are presented as net earnings from discontinued operations on the consolidated statements of operations and the assets and liabilities of Maxeon Solar are presented as assets and liabilities of discontinued operations on the consolidated balance sheets. (Refer to Note 2. *Discontinued Operations* for additional details).

Liquidity

We believe that our total cash and cash equivalents will be sufficient to meet our obligations over the next 12 months from the date of issuance of our financial statements, including repayment of our 0.875% senior convertible debentures due June 1, 2021 (the ‘‘0.875% debentures due 2021’’), which were outstanding in an aggregate principal amount of $62.6 million as of January 3, 2021. In addition, we have historically been successful in our ability to divest certain investments and non-core assets, secure other sources of financing, such as accessing the capital markets, and implement other cost reduction initiatives such as restructuring, to address our liquidity needs. However, our ability to take these steps may be adversely affected by many factors impacting us and the markets generally, including the COVID-19 pandemic. If alternative actions were to be necessary, we believe they could be implemented prior to the maturity date of the 0.875% debentures due 2021.

Although we have historically been able to generate liquidity, we cannot predict, with certainty, the outcome of our actions to generate liquidity as planned. Additionally, we are uncertain of the full extent to which the COVID-19 pandemic will impact our business, operations, and financial results over time.

Basis of Presentation and Preparation

Principles of Consolidation

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

Fiscal Periods

We have a 52-to-53-week fiscal year that ends on the Sunday closest to December 31. Accordingly, every fifth or sixth year will be a 53-week fiscal year. Fiscal 2020 is a 53-week fiscal year while fiscal 2019 and 2018 are 52-week fiscal years. Our fiscal 2020 ended on January 3, 2021, fiscal 2019 ended on December 29, 2019, and fiscal 2018 ended on December 30, 2018.

Management Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires our management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include revenue recognition, specifically the nature and timing of satisfaction of performance obligations, standalone selling price of performance obligations, and variable consideration; allowances for doubtful accounts receivable; inventory and project asset write-downs; stock-based compensation; long-lived asset impairment, specifically estimates for valuation assumptions including discount rates and future cash flows; economic useful lives of property, plant, and equipment and intangible assets; fair value of investments, including equity investments for which we apply the fair value option and other financial instruments; residual value of solar power systems, including those subject to residential operating leases; valuation of contingencies such as accrued warranty; the incremental borrowing rate used in discounting of lease liabilities; the fair value of indemnities provided to customers and other parties; and income taxes and tax valuation allowances. Actual results could materially differ from those estimates.

Summary of Significant Accounting Policies

Lease Accounting

Arrangements with SunPower as a Lessee

We determine if an arrangement is a lease at inception. Our operating lease agreements are primarily for real estate and are included within operating lease right-of-use (''ROU'') assets and operating lease liabilities on the consolidated balance sheets. We elected the practical expedient to combine our lease and related non-lease components for all our leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Variable lease payments that do not depend on an index or rate are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. We use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets also include any lease prepayments made and exclude lease incentives. Many of our lessee agreements include options to extend the lease, which we do not include in our minimum lease terms unless they are reasonably certain to be exercised. Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term.

Sale-Leaseback Arrangements

We enter into sale-leaseback arrangements under which solar power systems are sold to third parties and subsequently leased back by us over lease terms of up to 25 years.

We classify our initial sale-leaseback arrangements of solar power systems as operating leases in accordance with the underlying accounting guidance on leases. We may sell our lessee interests in these arrangements in entirety before the end of the underlying term of the leaseback.

For all sale-leaseback arrangements classified as operating leases, any gain on sale up to the difference in the cost basis and fair value is recognized immediately. Any amount in excess of the proceeds compared to the fair value of the solar power systems is deferred and recognized over the term of the lease. Failed sale-leaseback arrangements are accounted for under the financing method. The proceeds received from the sale of the solar power systems are recorded as financing liabilities. The financing liabilities are subsequently reduced by our payments to lease back the solar power systems, less interest expense calculated based on our incremental borrowing rate adjusted to the rate required to prevent negative amortization. Refer to Note 5. *Business Divestiture and Sale of Assets* for details of the sale of our commercial sale-leaseback portfolio during fiscal 2020.

Arrangements with SunPower as a Lessor

Solar Services

We offer solar services, in partnership with third-party financial institutions, which allows our residential customers to obtain continuous access to SunPower solar power systems under contracts for terms of up to 20 years. Solar services revenue is primarily comprised of revenue from such contracts wherein we provide continuous access to an operating solar system to third parties. These arrangements are being accounted for under ASC 606.

We also apply for and receive Solar Renewable Energy Credits (“SRECs”) associated with the energy generated by our solar energy systems and sell them to third parties in certain jurisdictions. SREC revenue is estimated net of any variable consideration related to possible liquidated damages if we were to deliver fewer SRECs than contractually committed and is generally recognized upon delivery of the SRECs to the counterparty.

We typically provide a system output performance warranty, separate from our standard solar power systems and workmanship warranty, to our solar services customers. In connection with system output performance warranties, we agree to pay liquidated damages in the event the system does not perform to the stated specifications, with certain exclusions. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer an amount based on the value of the shortfall of energy produced relative to the applicable warrantied performance level. Such liquidated damages represent a form of variable consideration and are estimated at contract inception and updated at each reporting period and recognized over time as customers receive and consume the benefits of the solar services.

There are rebate programs offered by utilities in various jurisdictions and are issued directly to homeowners based on the lease agreements; the homeowners assign these rights to rebate to us. These rights to rebate are considered non-cash consideration, measured based on the utilities’ rebates from the installed solar panels on the homeowners’ roofs, and recognized over the lease term.

Revenue from solar services contracts entered into prior to the adoption of ASC 842 were accounted for as leases under the superseded lease accounting guidance and reported within ‘Residential Leasing’ on the consolidated statement of operations.

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values due to their short-term maturities. Equity investments with readily determinable fair value are carried at fair value based on quoted market prices or estimated based on market conditions and risks existing at each balance sheet date. Equity investments without readily determinable fair value are measured at cost less impairment and are adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer. During fiscal 2020, we recorded no fair value adjustment to our equity investments with Fair Value Option (“FVO”). The fair value adjustment was included within “equity in losses of unconsolidated investees” in our consolidated statements of operations for the year ended January 3, 2021 (see Note 8. *Fair Value Measurements).*

Comprehensive Income (Loss)

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

Cash Equivalents

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

Cash in Restricted Accounts

We maintain cash and cash equivalents in restricted accounts pursuant to various letters of credit, surety bonds, loan agreements, and other agreements in the normal course of business.

Financial Instruments - Credit Losses

Effective December 30, 2019, we adopted ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)* and subsequent amendments to the initial guidance: *ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, ASU 2020-02, and ASU 2020-03* (collectively, *"Topic 326")*. Topic 326 requires measurement and recognition of expected credit losses for financial assets held. The amendment applies to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For additional information on the changes resulting from the new standard and the impact to our financial results on adoption, refer to the section Recently Adopted Accounting Pronouncements below.

We recognize an allowance for credit loss at the time a receivable is recorded based on our estimate of expected credit losses and adjust this estimate over the life of the receivable as needed. We evaluate the aggregation and risk characteristics of a receivable pool and develop loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon we are exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

As of January 3, 2021, we reported $108.9 million of accounts receivable, net of allowances of $15.4 million. Based on the aging analysis as of January 3, 2021, 83% of our trade accounts receivable was outstanding less than 60 days. Refer to Note 6. *Balance Sheet Components* for more details on changes in allowance for credit losses. We have not seen significant changes to the recovery rate of our accounts receivables as a result of the COVID-19 pandemic, but we are continuing to actively monitor the impact of the COVID-19 pandemic on our expected credit losses.

Short-Term and Long-Term Inventories

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

We evaluate the terms of our long-term inventory purchase agreements with suppliers for the procurement of solar panels and microinverters and establish accruals for estimated losses on adverse purchase commitments as necessary, such as lower of cost or net realizable value adjustments, forfeiture of advanced deposits, and liquidated damages. Obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are compared to expected demand regularly. Our classification of our inventory as either current or long-term inventory requires us to estimate the portion of on-hand inventory that can be realized over the next 12 months. (See Note 6. *Balance Sheet Components*).

Financing Receivables

Prior to the sale of our residential lease assets in fiscal 2018 and 2019, all leases were classified as either operating or sales-type leases in accordance with the relevant accounting guidelines. Since the sale of the substantial majority of such assets, we have a small portfolio of these assets that we continue to hold and test for impairment on regular basis in accordance with the applicable accounting framework.

Financing receivables are generated by solar power systems leased to residential customers under sales-type leases. Financing receivables represent gross minimum lease payments to be received from customers over a period commensurate with the remaining lease term of up to 20 years and the system's estimated residual value, net of unearned income and allowance for estimated losses. Initial direct costs for sales-type leases are recognized as cost of sales when the solar power systems are placed in service.

Our evaluation of the recoverability of these financing receivables is based on an evaluation of the likelihood, based on current information and events, of whether we will be able to collect all amounts due according to the contractual terms of the underlying lease agreements. In accordance with this evaluation, we recognize an allowance for losses on financing receivables based on our estimate of the amount equal to the probable losses net of recoveries. The combination of the leased solar power systems discussed in the preceding paragraph together with the lease financing receivables is referred to as the "Residential Lease Portfolio."

During fiscal 2020, we continued to perform the recoverability test for assets in the residential assets, similar to prior years, and recorded an immaterial impairment. See Note 7. *Solar Services* for additional information on the related impairment charge.

Property, Plant, and Equipment

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

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

Interest Capitalization

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

Long-Lived Assets Impairment

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

For purposes of the impairment evaluation, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We must exercise judgment in assessing such groupings and levels. We then compare the estimated future undiscounted net cash flows expected to be generated by the asset group (including the eventual disposition of the asset group at residual value) to the asset group's carrying value to determine if the asset group is recoverable. If our estimate of future undiscounted net cash flows is insufficient to recover the carrying value of the asset group, we record an impairment loss in the amount by which the carrying value of the asset group exceeds the fair value. Fair value is generally measured based on (i) internally developed discounted cash flows for the asset group, (ii) third-party valuations, and (iii) quoted market prices, if available. If the fair value of an asset group is determined to be less than its carrying value, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. For additional information on the impairment charge recorded in fiscal 2020 and 2019, and the underlying fair value assumptions, see Note 7. *Solar Services*.

Product Warranties

We provide a workmanship warranty of up to 25 years from installation and a 25-year standard warranty for previously SunPower-manufactured microinverters. We also warrant our installed systems for defective materials and workmanship for periods ranging up to 25 years. We pass through to customers warranties from the original equipment manufacturers of certain system components such as solar panels, monitoring equipment and inverters. For such components, our warranties may exceed the warranty coverage from the original equipment manufacturers. For solar energy systems we do not install directly, we receive workmanship warranties from our solar partners.

In addition, we also provide a separate system output performance warranty to customers that have subscribed to our post-installation monitoring and maintenance services which expires upon termination of the post-installation monitoring and maintenance services related to the system. The warrantied system output performance level varies by system depending on the characteristics of the system and the negotiated agreement with the customer, and the level declines over time to account for the expected degradation of the system. Actual system output is typically measured annually for purposes of determining whether warrantied performance levels have been met. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period, and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer a liquidated damage based on the value of the shortfall of energy produced relative to the applicable warrantied performance level.

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

Revenue Recognition

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

We sell rooftop and ground-mounted solar power systems under construction and development agreements to our residential and commercial customers. In contracts where we sell completed systems as a single performance obligation, primarily to our joint venture for residential projects, we recognize revenue at the point-in-time when such systems are placed in service. Any advance payments received before control is transferred is classified as ''contract liabilities.''

Engineering, procurement, and construction (''EPC'') projects governed by customer contracts that require us to deliver functioning solar power systems are generally completed within three to twelve months from commencement of construction. Construction on large projects may be completed within eighteen to thirty-six months, depending on the size and location. We recognize revenue from EPC services over time as our performance creates or enhances an energy generation asset controlled by the customer. We use an input method based on cost incurred as we believe that this method most accurately reflects our progress toward satisfaction of the performance obligation. Under this method, revenue arising from fixed-price construction contracts is recognized as work is performed based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations.

Incurred costs include all direct material, labor, and subcontract costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and tools. Project material costs are included in incurred costs when the project materials have been installed by being permanently attached or fitted to the solar power system as required by the project's engineering design. Cost-based input methods of revenue recognition require us to make estimates of net contract revenues and costs to complete the projects. In making such estimates, significant judgment is required to evaluate assumptions related to the amount of net contract revenues, including the impact of any performance incentives, liquidated damages, and other payments to customers. Significant judgment is also required to evaluate assumptions related to the costs to complete the projects, including materials, labor, contingencies, and other system costs. If the estimated total costs on any contract are greater than the net contract revenues, we recognize the entire estimated loss in the period the loss becomes known and can be reasonably estimated.

Our arrangements may contain clauses such as contingent repurchase options, delay liquidated damages or early performance bonus, most favorable pricing, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics or milestones. Variable consideration is estimated at each measurement date at its most likely amount to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur and true-ups are applied prospectively as such estimates change.

Changes in estimates for sales of systems and EPC services occur for a variety of reasons, including but not limited to (i) construction plan accelerations or delays, (ii) product cost forecast changes, (iii) change orders, or (iv) changes in other information used to estimate costs. The cumulative effect of revisions to transaction prices or input cost estimates are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

Operations and Maintenance

We offer our customers various levels of post-installation operations and maintenance (“O&M”) services to our residential as well as commercial business with the objective of optimizing our customers’ electrical energy production over the life of the system. We determine that the post-installation systems monitoring and maintenance qualifies as a separate performance obligation. Post-installation monitoring and maintenance is deferred at the time the contract is executed, based on the estimate of selling price on a standalone basis, and is recognized to revenue over time as customers receive and consume benefits of such services. The non-cancellable term of the O&M contracts are typically 90 days for commercial and residential customers and 180 days for power plant customers.

We typically provide a system output performance warranty, separate from our standard solar panel product warranty, to customers that have subscribed to our post-installation O&M services. In connection with system output performance warranties, we agree to pay liquidated damages in the event the system does not perform to the stated specifications, with certain exclusions. The warranty excludes system output shortfalls attributable to force majeure events, customer curtailment, irregular weather, and other similar factors. In the event that the system output falls below the warrantied performance level during the applicable warranty period, and provided that the shortfall is not caused by a factor that is excluded from the performance warranty, the warranty provides that we will pay the customer an amount based on the value of the shortfall of energy produced relative to the applicable warrantied performance level. Such liquidated damages represent a form of variable consideration and are estimated at contract inception and updated at each reporting period and recognized over time as customers receive and consume the benefits of the O&M services.

Subsequent to the sale of O&M business in the second quarter of fiscal 2020, we sold a substantial majority of our commercial O&M contracts except for selected large utility scale power plant projects in North America at a fixed price to NovaSource that were not sold. Refer to Note 5. *Business Divestiture and Sale of Assets* for further details. We continue to provide O&M services to our residential customers.

Stock-Based Compensation

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

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

Accounting for Business Divestiture

From time to time, we may dispose of significant assets or portions of our business by sale or exchange for other assets. In accounting for such transactions, we apply the applicable accounting guidance under U.S. GAAP pertaining to discontinued operations and disposals of components of an entity. Our assessment includes whether such disposal represents a significant strategic shift in our operations and on the extent of our continuing involvement in relation to that portion of our business. We evaluate the significance of our intended divestiture transactions in relation to our consolidated financial measures to determine whether a disposal of assets or a business qualifies as discontinued operations. For additional details see Note 5. *Business Divestiture and Sale of Assets*. We recognize disposal related costs that are not part of divestiture consideration as general and administrative expense as they are incurred. These costs typically include transaction and disposal costs, such as legal, accounting, and other professional fees.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled approximately $6.4 million, $6.7 million, and $5.9 million, in fiscal 2020, 2019, and 2018, respectively.

Research and Development Expenses

Research and development expense consists primarily of salaries and related personnel costs, depreciation, and the cost of solar cell and solar panel materials and services used for the development of products, including experiments and testing. All research and development costs are expensed as incurred. Research and development expenses are reported net of contributions under contracts with governmental agencies because such contracts are considered collaborative arrangements.

Translation of Foreign Currency

SunPower Corporation and certain of our subsidiaries use their respective local currency as their functional currency. Accordingly, foreign currency assets and liabilities are translated using exchange rates in effect at the end of the period. Aggregate exchange gains and losses arising from the translation of foreign assets and liabilities are included in ‘‘Accumulated other comprehensive loss’’ in the consolidated balance sheets. Foreign subsidiaries that use the U.S. dollar as their functional currency remeasure monetary assets and liabilities using exchange rates in effect at the end of the period. Exchange gains and losses arising from the remeasurement of monetary assets and liabilities are included in ‘‘Other, net’’ in the consolidated statements of operations. Non-monetary assets and liabilities are carried at their historical values.

We include gains or losses from foreign currency transactions in ‘‘Other, net’’ in the consolidated statements of operations with the other hedging activities.

Concentration of Credit Risk

We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments. Financial and derivative instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, notes receivable, advances to suppliers, foreign currency option contracts, foreign currency forward contracts, bond hedge and warrant transactions, and purchased options. Our investment policy requires cash and cash equivalents, restricted cash and cash equivalents, and investments to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. Similarly, we enter into foreign currency derivative contracts and convertible debenture hedge transactions with high-quality financial institutions and limit the amount of credit exposure to any one counterparty. The foreign currency derivative contracts are limited to a time period of less than nine months. We regularly evaluate the credit standing of our counterparty financial institutions.

We perform ongoing credit evaluations of our customers' financial condition whenever deemed necessary and generally we do not require collateral from our leasing customers. We maintain an allowance for doubtful accounts based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical bad debts, specific customer creditworthiness and current economic trends. Qualified customers under our residential lease program are generally required to have a minimum credit score. We believe that our concentration of credit risk is limited because of our large number of customers, credit quality of the customer base, small account balances for most of these customers, and customer geographic diversification.

As of January 3, 2021, we had one customer that accounted for 11.1% of our accounts receivable balance. As of December 29, 2019, one customer accounted for 10.0% of our accounts receivable balance.

We had two different customers that accounted for 46.9% and 11% of our ''Construction costs in excess of billing'' balance as of January 3, 2021. We had two different customers that accounted for 25.3% and 20.5% of our ''Construction costs in excess of billing'' balance as of December 29, 2019 on our consolidated balance sheets. As of January 3, 2021 and December 29, 2019, our ''Construction costs in excess of billing'' balance was $62.9 million and $47.6 million, respectively.

Income Taxes

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

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

Investments in Equity Interests

Investments in entities in which we can exercise significant influence, but do not own a majority equity interest or otherwise control, are accounted for under the equity method. We record our share of the results of these entities as ''Equity in earnings (losses) of unconsolidated investees'' on the consolidated statements of operations. We monitor our investments for other-than-temporary impairment by considering factors such as current economic and market conditions and the operating performance of the entities and record reductions in carrying values when necessary. The fair value of privately-held investments is estimated using the best available information as of the valuation date, including current earnings trends, undiscounted cash flows, and other company specific information, including recent financing rounds.

We have elected the fair value option in accordance with the guidance in ASC 825, Financial Instruments, for our investment in the SunStrong joint venture and SunStrong Partners to mitigate volatility in reported earnings that results from the use of different measurement attributes. We initially computed the fair value for our investments consistent with the methodology and assumptions that market participants would use in their estimates of fair value with the assistance of a third-party valuation specialist. The fair value computation is updated on a quarterly basis. The investments are classified within Level 3 in the fair value hierarchy because we estimate the fair value of the investments using the income approach based on the discounted cash flow method which considered estimated future financial performance, including assumptions for, among others, forecasted contractual lease income, lease expenses, residual value of these lease assets and long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by management and are not based on observable inputs (See Note 6. *Balance Sheet Components,* Note 8. *Fair Value Measurements,* and Note 11. *Equity Investments*).

Noncontrolling Interests

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

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Topic 326, to replace the prior incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in Topic 326 apply to entities which hold financial assets and net investments in leases that are not accounted for at fair value through net income as well as loans, debt securities, accounts receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the Financial Accounting Standards Board (''FASB'') issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - Genera*l *(Subtopic 715-20)* to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40)* requiring a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In October 2018, the FASB issued ASU 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which broadens the scope of the private company alternative to include all common control arrangements that meet specific criteria (not just leasing arrangements) and also eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which (i) clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606; (ii) adds unit-of-account guidance in Topic 808 to align with the guidance in Topic 606; and iii) requires that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, presenting the transaction together with revenue recognized under Topic 606 is precluded if the collaborative arrangement participant is not a customer. We adopted the ASU during the first quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. We adopted the ASU during the second quarter of fiscal 2020. The adoption did not have a material impact on our consolidated financial statements.

In August 2020, the Securities and Exchange Commission (''SEC'') adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10825, *Modernization of Regulation S-K Items 101, 103, and 105*. The amendments are effective on November 9, 2020. The final rule seeks to modernize the description of business, legal proceedings, and risk factor disclosures that registrants are required to make pursuant to Regulation S-K. The amendments update these rules to improve disclosure for investors and to simplify compliance for registrants, and ultimately are intended to improve the readability of disclosure documents, as well as discourage repetition and the disclosure of information that is not material. We incorporated the effects of the final rule in our Form 10-K for the fiscal year ended January 3, 2021.

In January 2021, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10890, *Modernization of Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information.* The amendments are effective on February 10, 2021. The final rule seeks to modernize, simplify, and enhance certain financial disclosure requirements in Regulation S-K. Specifically, the final rule is eliminating the requirement for Selected Financial Data, streamlining the requirement to disclose Supplementary Financial Information, and amending Management's Discussion & Analysis of Financial Condition and Results of Operations (''MD&A''). These amendments are intended to eliminate duplicative disclosures and modernize and enhance MD&A disclosures for the benefit of investors, while simplifying compliance efforts for registrants. We incorporated the effects of the final rule in our Form 10-K for the fiscal year ended January 3, 2021.

Recent Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for us no later than the first quarter of fiscal 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of ASU 2019-12 on our financial statements and disclosures.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815.* The amendment clarifies accounting for equity investments and non-derivative forward contracts or purchased call options under ASC 321. ASU 2020-01 is effective no later than the first quarter of fiscal 2021 and the ASU should be applied prospectively. While we are still evaluating the impacts of the provisions of ASU 2020-01 on our financial statements and disclosures, the impact is not expected to be material.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* The amendment reduces the number of accounting models used for convertible debt instruments and convertible preferred stock, which results in fewer embedded conversion features separately recognized from the host contracts. ASU 2020-06 is effective no later than the first quarter of fiscal 2022. Early adoption is permitted no earlier than the first quarter of fiscal 2021, and the ASU should be applied retrospectively. We are currently evaluating the impacts of the provisions of ASU 2020-06 on our financial statements and disclosure.

Note 2. *DISCONTINUED OPERATIONS*

Maxeon Solar Separation Transaction

On August 26, 2020, we completed the spin-off (the ''Spin-Off'') of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares (''Maxeon Solar''), consisting of certain non-U.S. operations and assets of our former SunPower Technologies business unit. The Spin-Off was completed by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock (the ''Distribution'') as of the close of business on August 17, 2020.

Immediately after the Distribution, Maxeon Solar and Tianjin Zhonghuan Semiconductor Co., Ltd., a PRC joint stock limited company (''TZS''), completed the transaction in which Zhonghuan Singapore Investment and Development Pte. Ltd., a Singapore private limited company and an affiliate of TZS, purchased from Maxeon Solar, for $298.0 million, 8,915,692 additional ordinary shares of Maxeon Solar (the ''TZS Investment''), representing approximately 28.848% of the outstanding ordinary shares of Maxeon Solar after giving effect to the Spin-Off and the TZS Investment.

Shortly after the Spin-Off, Maxeon Solar paid us $125.0 million for the transfer of certain intellectual property and reimbursement of transaction expenses in accordance with the Separation and Distribution Agreement entered into between us and Maxeon Solar in connection with the Spin-Off.

In connection with the Spin-Off, and as contemplated by the Separation and Distribution Agreement entered into by us and Maxeon Solar, we and Maxeon Solar entered into certain ancillary agreements that govern the relationships between the Company and Maxeon Solar following the Distribution, including: a tax matters agreement, employee matters agreement, transition services agreement, back-to-back agreement, brand framework agreement, cross license agreement, collaboration agreement, and supply agreement (collectively, the ''Ancillary Agreements''), each as previously described in our announcement of the contemplated transaction. For the descriptions of the Ancillary Agreements and the full text of such agreements, refer to our Current Report on Form 8-K and exhibits filed with the SEC on August 27, 2020.

Under the transition services agreement, Maxeon Solar and SunPower will provide various administrative services and assets to each other through August 26, 2021 with an option to extend for up to an additional 180 days. Services to be provided include, among others, certain services related to finance, accounting, business technology, human resources, facilities, document management and record retention, relationship and strategy management, module operations, and technical and quality support. In consideration for such services, Maxeon Solar and SunPower will each pay fees to the other for the services provided, and those fees will generally be in amounts intended to allow the party providing services to recover all of its direct and indirect costs incurred in providing those services, plus a standard markup, and subject to a 25% increase following an extension of the initial term (unless otherwise mutually agreed to by the parties). During the year ended January 3, 2021, we recorded $6.6 million of income associated with the transition services agreement. This was offset by $0.3 million of services provided by Maxeon Solar to us, resulting in a net reduction of operating expenses of $6.3 million, presented separately within operating expenses on the consolidated statement of operations.

The product collaboration agreement provides a framework for the development of next-generation Maxeon 7 panels, flex panels, single solar panels, and any other products that are agreed to by the parties. Each project that will occur under the agreement will be governed by written plans that will be agreed to by the parties. These plans will include agreed-upon budgets, cost allocations and resource responsibilities of the parties and will last a maximum of two years. We will have the sole right to manufacture the products developed under the agreement within the 50 states of the United States, the District of Columbia and Canada (the "Collaboration Territory"). Maxeon Solar will have the exclusive right to manufacture the products outside of the Collaboration Territory. For a period that will not be longer than two years commencing on the effective date or approval of a development plan for each developed product (the "Exclusivity Period"), we will have the exclusive right to sell, and Maxeon Solar will have the exclusive right to supply, each developed product in specified markets. For one year after the Exclusivity Period for each developed product, neither party will be permitted to enter into an exclusive supply relationship with a third party for the relevant developed product within those markets. In addition, after the Exclusivity Period, if either party intends to enter into a supply agreement for the developed product, the other party has a right of first offer or refusal. Any new intellectual property arising from the agreement will be owned by Maxeon Solar, subject to a sole license to us within the Collaboration Territory during the Exclusivity Period, and which will become non-exclusive after the Exclusivity Period. During the year ended January 3, 2021, we recorded an amount of $12.5 million reimbursable from Maxeon Solar under the product collaboration agreement, which is presented as a reduction of our R&D expense on the consolidated statement of operations.

The supply agreement, which reflects good faith negotiations between the parties, provides that we will purchase from Maxeon Solar certain designated products for use in residential and commercial solar applications in the Domestic Territory (as defined in the supply agreement). The supply agreement has a two-year term, subject to customary early termination provisions. Under the supply agreement, we are required to purchase certain minimum volumes of products during each calendar quarter of the term. The minimum volumes are specifically enumerated for different types of products, and for each subsequent period, and are established based on our forecasted requirements, subject to certain limitations. The parties will be subject to reciprocal penalties for failing to purchase or supply, as applicable, the minimum product volumes. The purchase price for each product will be fixed for 2020 and 2021 based on the power output (in watts) of the relevant product. For subsequent periods, the purchase price will be set based on a formula and fixed for the covered period.

The Spin-Off met the criteria for classification as "discontinued operations" in accordance with the guidance in ASC 205-20. Since Maxeon Solar was a major line of our business and formerly our global cell and module manufacturing platform, our global sales platform in Europe, and our distributed generation and power plant operations, the disposal represents a strategic shift that has major impacts on our current and historical financial results. Thus, in accordance with the guidance, we no longer consolidate the financial results of Maxeon Solar within our financial results of continuing operations. For all the periods prior to the Spin-Off, the financial results of Maxeon Solar are presented as net earnings from discontinued operations on the consolidated statement of operations and assets and liabilities of discontinued operations on the consolidated balance sheets.

The following table presents the assets and liabilities of Maxeon Solar as of December 29, 2019 presented as assets and liabilities of discontinued operations on the consolidated balance sheet:

(In thousands)	December 29, 2019
Assets:	
Current Assets:	
Cash and cash equivalents	$120,956
Restricted cash and cash equivalents, current portion	—
Restricted short-term marketable securities	6,187
Accounts receivable, net	98,598
Contract assets, current portion	—
Inventories	194,852
Advances to suppliers, current portion	75,545
Prepaid expenses and other current assets	34,489
Total current assets of discontinued operations	530,627
Property, plant and equipment, net	267,866
Operating lease right-of-use assets	10,559
Advances to suppliers, net of current portion	13,993
Other long-term assets	53,395
Total assets of discontinued operations	$876,440
Liabilities:	
Current Liabilities:	
Accounts payable	$234,697
Accrued and other current liabilities[1]	87,614
Operating lease liabilities, current portion	1,904
Contract liabilities, current portion	47,096
Short-term debt and current portion of long-term debt	60,383
Total current liabilities of discontinued operations	431,694
Long-term debt	1,487
Convertible debt, net of current portion	—
Contract liabilities, net of current portion	35,616
Long-term lease liability	9,432
Other long-term liabilities	46,526
Total liabilities of discontinued operations	$524,755

The following table presents financial results of Maxeon Solar presented as discontinued operations in our income statement in the corresponding periods:

	Fiscal Year Ended		
(In thousands)	January 3, 2021	December 29, 2019	December 30, 2018
Net revenues[1]	$ 357,164	$ 771,999	$ 523,774
Gross loss[1]	(26,609)	(37,573)	(445,578)
Operating expenses[2]	92,581	121,116	100,273
Operating loss	(119,190)	(158,689)	(545,851)
Loss before income taxes and equity in losses of unconsolidated investees	(125,599)	(165,040)	(532,135)
Provision for income taxes	3,191	(10,122)	1,050
Equity in losses of unconsolidated investees	(586)	(5,342)	(2,943)
Net loss from discontinued operations, net of taxes	(122,994)	(180,504)	(534,028)
Net income from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interests	(1,313)	(4,157)	266
Net loss from discontinued operations attributable to stockholders	$(124,307)	$(184,661)	$(533,762)

1 Excludes intersegment revenue and gross margin from sale of photovoltaic modules to SunPower prior to the Spin-Off, which was eliminated in consolidation.

2 Operating expenses include separation costs classified within discontinued operations.

The following table presents significant non-cash items and capital expenditures of discontinued operations:

	Fiscal Year Ended		
(In thousands)	January 3, 2021	December 29, 2019	December 30, 2018
Depreciation and amortization	$31,143	$45,399	$68,446
Stock-based compensation	5,402	7,134	8,580
Equity in losses of unconsolidated investees	586	5,342	2,943
(Gain) loss from sale of investments	—	(6,275)	2,212
Purchases of property, plant and equipment	10,707	41,905	28,357
Aged supplier financing balances reclassified from accounts payable to short-term debt	63,111	45,532	—

Note 3. ***TRANSACTIONS WITH TOTAL AND TOTAL SE***

In June 2011, Total completed a cash tender offer to acquire 60% of our then outstanding shares of common stock at a price of $23.25 per share, for a total cost of approximately $1.4 billion. In December 2011, we entered into a Private Placement Agreement with Total (the ''Private Placement Agreement''), under which Total purchased, and we issued and sold, 18.6 million shares of our common stock for a purchase price of $8.80 per share, thereby increasing Total's ownership to approximately 66% of our outstanding common stock as of that date. As of January 3, 2021, ownership of our outstanding common stock by TOTAL SE and its affiliates was approximately 52%. Subsequent to the Spin-Off of Maxeon Solar on August 26, 2020, Total received a pro rata distribution of ordinary shares of Maxeon Solar and its percentage ownership of shares in SunPower did not change.

Supply Agreements

In December 2019, we sold our membership interests in certain project companies to Total Strong, LLC., a joint venture between Total and Hannon Armstrong. We recognized revenue of $6.2 million for sales to this joint venture, which is included within ''Solar power systems, components, and other'' on our consolidated statements of operations for fiscal 2019. During the fiscal year ended January 3, 2021, we recognized revenue of $127.9 million for sales to this joint venture, that included project companies sold in the previous quarters, and continued recognition of engineering, procurement and construction (''EPC'') revenue for sales in the previous quarters, which is included within ''Solar power systems, components, and other'' on our consolidated statements of operations.

Affiliation Agreement

We and Total have entered into an Affiliation Agreement that governs the relationship between Total and us (the ''Affiliation Agreement''). Until the expiration of a standstill period specified in the Affiliation Agreement (the ''Standstill Period''), and subject to certain exceptions, Total, TOTAL SE, and any of their respective affiliates and certain other related parties (collectively, the ''Total Group'') may not effect, seek, or enter into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning our shares in excess of certain thresholds, or request us or our independent directors, officers, or employees to amend or waive any of the standstill restrictions applicable to the Total Group. The Standstill Period ends when Total holds less than 15% ownership of us.

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

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

The Affiliation Agreement also imposes certain restrictions with respect to the ability of us and our board of directors to take certain actions, including specifying certain actions that require approval by the directors other than the directors appointed by Total and other actions that require stockholder approval by Total.

Cooperation Agreement

In December 2020, we entered into a strategic Cooperation Framework Agreement (the "Cooperation Agreement") with Total that governs the ongoing relationship between us and Total (a majority owner of SunPower) with respect to development and sale of some future commercial solar power projects. The Cooperation Agreement lays the foundation for the potential of joint development of some projects and allows us and Total to expand investments in solar power projects to provide for future opportunities and investment volume.

Among other things, the Cooperation Agreement provides for –

- Our ability to sell projects to Total at pre-agreed model metrics;
- Our ability to obtain non-recourse financing of construction costs;
- Our ability to obtain financing of development costs as various milestones in the project development cycle are achieved;
- Exclusivity over our offering of various post-sale services for projects sold to Total or its affiliates;
- Our right to offer EPC services on some downstream generation projects being developed by Total

The Cooperation Agreement will remain in effect until December 31, 2023, unless otherwise terminated.

0.875% Debentures Due 2021

In June 2014, we issued $400.0 million in principal amount of our 0.875% debentures due 2021. An aggregate principal amount of $250.0 million of the 0.875% debentures due 2021 was initially acquired by Total. Interest is payable on the 0.875% debentures due 2021 semi-annually, beginning on December 1, 2014. The 0.875% debentures due 2021 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 0.875% debentures due 2021 was 20.5071 shares of common stock per $1,000 principal amount of debentures (which was equivalent to an initial conversion price of approximately $48.76 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate was adjusted to 25.1388 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $39.78 per share). The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.875% debentures due 2021. If not earlier repurchased or converted, the 0.875% debentures due 2021 mature on June 1, 2021.

We repurchased a portion of our outstanding 0.875% debentures due 2021 in the first and third quarters during fiscal 2020. On November 24, 2020, we announced a tender offer (the "Offer") to purchase any and all of our outstanding 0.875% debentures due 2021. On December 23, 2020, we announced the expiration and final results of the Offer. As of the expiration of the Offer, $238.9 million aggregate principal amount of the 0.875% debentures due 2021, representing approximately 79.23% of the total 0.875% debentures due 2021outstanding, including $193.6 million representing all of the aggregate principal amount of the debentures held by Total, were validly tendered (and not validly withdrawn). We accepted for purchase all Convertible Debentures that were validly tendered (and not validly withdrawn) pursuant to the Offer at the expiration of the Offer at a purchase price equal to $1,000 per $1,000 principal amount of the 0.875% debentures due 2021, plus accrued and unpaid interest.

In aggregate, during the fiscal year ended January 3, 2021, we purchased $337.4 million of aggregated principal amount of the 0.875% debentures due 2021 for cash proceeds of approximately $334.7 million, net. The purchases and early retirements resulted in a gain from extinguishment of debt of approximately $2.2 million in the fiscal year ended January 3, 2021, which represented the difference between the book value of the convertible notes, net of the remaining unamortized discount prior to repurchase and the reacquisition price of the convertible notes upon repurchase. The gain was recorded within "Other, net" on the consolidated statement of operations.

4.00% Debentures Due 2023

In December 2015, we issued $425.0 million in principal amount of our 4.00% senior convertible debentures due 2023 (the "4.00% debentures due 2023"). An aggregate principal amount of $100.0 million of the 4.00% debentures due 2023 was acquired by Total. The 4.00% debentures due 2023 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 4.00% debentures due 2023 was 32.7568 shares of common stock per $1,000 principal amount of debentures (which was equivalent to an initial conversion price of approximately $30.53 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate adjusted to 40.1552 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $24.90 per share), which provides Total the right to acquire up to 4,015,515 shares of our common stock. The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 4.00% debentures due 2023.

Joint Solar Projects with Total and its Affiliates

We enter into various EPC and O&M agreements relating to solar projects, including EPC and O&M services agreements relating to projects owned or partially owned by Total and its affiliates. As of January 3, 2021, we had $47.6 million of "Contract assets," $2.5 million of "Contract liabilities," and $0.1 million of "Accounts receivable, net" on our consolidated balance sheets related to projects in which Total and its affiliates have a direct or indirect material interest.

During fiscal year 2018, in connection with a co-development solar project in Japan among us, Total, and an independent third party, we sold 25% of ownership interests in the co-development solar project to Total, for an immaterial amount of proceeds. We sold the remaining 25% of ownership interest to Total in the nine months ended September 29, 2019, for proceeds of $4.6 million, and recognized a gain of $2.9 million, which is included within "other, net" in our consolidated statements of operations for fiscal 2019. Development service revenue of $6.4 million was also recognized during fiscal 2019. We have also agreed to supply solar panels under this arrangement with sales beginning in October 2019 and expected to occur through November 2020. We recognize revenue from these sales consistent with our revenue recognition policy from solar power components.

In connection with a co-development solar project in Chile between us and Total, we sold all of our 50% of ownership interests in the co-development project to Total in fiscal 2019, for proceeds of $14.1 million, and recognized a gain of $11.0 million, which is included within "other, net" in our consolidated statements of operations for fiscal 2019.

Related-Party Transactions with Total and its Affiliates:

The following related-party balances and amounts are associated with transactions entered into with Total and its Affiliates. Refer to Note 11. *Equity Investments* for related-party transactions with unconsolidated entities in which we have a direct equity investment.

	As of	
(In thousands)	**January 3, 2021**	**December 29, 2019**
Accounts receivable[1]	$76	$3,973

1 Refer to Note 10. *Commitments and Contingencies*

	Fiscal Year Ended		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Revenue:			
Solar power systems, components, and other	$127,872	$6,343	$ —
Cost of revenue:			
Solar power systems, components, and other	95,458	5,174	—
Other income:			
Gain on early retirement of convertible debt	1,857	—	—
Interest expense:			
Guarantee fees incurred under the Credit Support Agreement	13	329	5,312
Interest expense incurred on the 0.75% debentures due 2018	—	—	547
Interest expense incurred on the 0.875% debentures due 2021	1,238	2,188	2,188
Interest expense incurred on the 4.00% debentures due 2023	4,000	4,000	4,000

Note 4. *REVENUE FROM CONTRACTS WITH CUSTOMERS*

Disaggregation of Revenue

The following tables represent disaggregated revenue from contracts with customers for fiscal 2020, 2019, and 2018 along with the reportable segment for each category:

(In thousands)	Fiscal Year Ended											
	January 3, 2021				December 29, 2019				December 30, 2018			
Category	Residential. Light Commercial	Commercial and Industrial Solutions	Others	Total Revenue	Residential. Light Commercial	Commercial and Industrial Solutions	Others	Total Revenue	Residential. Light Commercial	Commercial and Industrial Solutions	Others	Total Revenue
Solar power systems sales and EPC services	$823,684	$245,391	$ 6,109	$1,075,184	$707,877	$231,281	$ 72,366	$1,011,524	$517,086	$208,979	$156,590	$ 882,655
Operations and maintenance	—	8,036	20,603	28,639	—	10,785	40,841	51,626	—	—	47,447	47,447
Residential leasing	5,323	—	—	5,323	10,405	—	—	10,405	272,148	61	—	272,209
Solar services[1]	14,375	1,308	—	15,683	17,455	1,216	—	18,671	—	—		—
Revenue	$843,382	$254,735	$26,712	$1,124,829	$735,737	$243,282	$113,207	$1,092,226	$789,234	$209,040	$204,037	$1,202,311

1 Upon adoption of ASC 842, revenues from residential leasing are being accounted for under ASC 606 and recorded under "Solar services" (see Note 1).

We recognize revenue for sales of modules and components at the point that control transfers to the customer, which typically occurs upon shipment or delivery to the customer, depending on the terms of the contract, and we recognize revenue for operations and maintenance and solar services over the term of the service period.

For EPC revenue and solar power systems sales, we commence recognizing revenue when control of the underlying system transfers to the customer and continue recognizing revenue over time as work is performed based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligations. For contracts in which we sell membership interests in certain project companies that are owned by a to joint venture formed between Total and Hannon Armstrong, we recognize revenue for the initial development and other solar assets at the point that control transfers to the customer, and we recognize continuing EPC revenue for work provided to the joint venture over time as work is performed.

Our arrangements may contain clauses such as contingent repurchase options, liquidated damages for delays or early performance bonus, most favorable pricing, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics or milestones. Variable consideration is estimated at each measurement date at its most likely amount to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur and true-ups are applied prospectively as such estimates change.

Judgment is required to evaluate assumptions including the amount of net contract revenues and the total estimated costs to determine our progress towards contract completion and to calculate the corresponding amount of revenue to recognize. If estimated total costs on any contract are greater than the net contract revenues, we recognize the entire estimated loss in the period the loss becomes known. For contracts with post-installation systems monitoring and maintenance, we recognize revenue related to systems monitoring and maintenance over the non-cancellable contract term on a straight-line basis.

Changes in estimates for sales of systems for EPC services occur for a variety of reasons, including but not limited to (i) construction plan accelerations or delays, (ii) product cost forecast changes, (iii) change orders, or (iv) changes in other information used to estimate costs. Changes in estimates may have a material effect in our consolidated statements of operations. The table below outlines the impact on revenue of net changes in estimated transaction prices and input costs for systems related sales contracts (both increases and decreases) for the years ended January 3, 2021 and December 29, 2019 as well as the number of projects that comprise such changes. For purposes of the following table, only projects with changes in estimates that have an impact on revenue and or cost of at least $1.0 million, calculated on a quarterly basis during the periods, were presented. Also, included in the table is the net change in estimate as a percentage of the aggregate revenue for such projects.

	Fiscal Year Ended		
(In thousands, except number of projects)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Increase in revenue from net changes in transaction prices	$2,838	$ 5,391	$ —
Increase (decrease) in revenue from net changes in input cost estimates	(762)	6,233	(1,045)
Net increase (decrease) in revenue from net changes in estimates	$2,076	$11,624	$(1,045)
Number of projects	4	5	1
Net change in estimate as a percentage of aggregate revenue for associated projects	1.2%	11.6%	—%

Contract Assets and Liabilities

Contract assets consist of (i) retainage which represents the earned, but unbilled, portion of a construction and development project for which payment is deferred by the customer until certain contractual milestones are met; and (ii) unbilled receivables which represent revenue that has been recognized in advance of billing the customer, which is common for long-term construction contracts. Contract liabilities consist of deferred revenue and customer advances, which represent consideration received from a customer prior to transferring control of goods or services to the customer under the terms of a sales contract. Refer to Note 6. *Balance Sheet Components* for further details.

During the year ended January 3, 2021, the increase in contract assets of $6.0 million was primarily driven by commercial projects where certain milestones had not yet been reached, but the criteria for revenue had been met. Of the total increase in contract assets, the decrease in management's estimate of variable consideration on power plant development projects sold in prior years was $7.3 million. During the year ended December 29, 2019, the increase in contract assets of $38.5 million was primarily driven by commercial projects where certain milestones had not yet been reached, but the criteria for revenue had been met. During the year ended January 3, 2021, the decrease in contract liabilities of $20.7 million was primarily due to revenue recognized from customer advances. During the year ended December 29, 2019, the increase in contract liabilities of $27.7 million was primarily due to higher volume of contracts waiting for revenue recognition. During the year ended December 29, 2019, we recognized revenue of $35.6 million that was included in contract liabilities as of December 30, 2018. During the year ended January 3, 2021, we recognized revenue of $97.8 million that was included in contract liabilities as of December 29, 2019.

The following table represents our remaining performance obligations as of January 3, 2021 for EPC agreements for projects that we are constructing or expect to construct. We expect to recognize $163.0 million of revenue upon transfer of control of the projects.

Project	**Revenue Category**	**EPC Contract/Partner Developed Project**	**Expected Year Revenue Recognition Will Be Completed**	**Percentage of Revenue Recognized[1]**
Various Distribution Generation Projects	Solar power systems sales and EPC services	Various	2021	76.8%

1 Denotes average percentage of revenue recognized.

As of January 3, 2021, we have entered into contracts with customers for sales of modules and components for an aggregate transaction price of $253.6 million, the substantial majority of which we expect to recognize over the next 12 months.

Note 5. *BUSINESS DIVESTITURE AND SALE OF ASSETS*

Sale of Operations and Maintenance Business

On May 14, 2020, we sold the substantial majority of our O&M ("Operations & Maintenance") services contracts for utility, commercial, and industrial scale photovoltaic power projects and related assets and liabilities to NovaSource Power Services ("NovaSource") for total consideration of $36.3 million.

Upon closing, we received net cash consideration of $16.0 million, excluding certain hold-backs totaling in aggregate $15.0 million for certain retained obligations and contracts not novated as of closing. We assessed the recoverability of these holdbacks and included our best estimate of the amount recoverable in the future, in our calculation of net gain on sale. Additionally, we also agreed to retain and subcontract certain O&M contracts for selected large utility scale power plant projects in North America at a fixed price to NovaSource. The contracts were deemed loss-making on the closing date and accordingly, we recorded a liability for the expected loss to be recognized for these contracts that will be amortized over the expected period of loss of three years.

In evaluating the accounting treatment for this sale, the transaction was considered the sale of a business as defined in ASC 805, *Business Combinations*. We recorded a gain of $10.3 million, which was recorded "gain on business divestiture" in our consolidated statements of operations for the fiscal year ended January 3, 2021. We recorded $2.1 million of tax expense related to the sale during the fiscal year ended January 3, 2021. We also recorded $2.7 million of transaction expenses, which were expensed as incurred and included within "sales, general, and administrative expenses" in our consolidated statement of operations for the fiscal year ended January 3, 2021.

The assets and liabilities of our O&M business that were sold in the transaction are summarized below:

(In thousands)	
Accounts receivable	$ 5,693
Contract assets, current portion	3,239
Prepaid expenses, other current assets, and cash	4,786
Other long-term assets	634
Total assets	14,352
Accounts payable	3,434
Contract liabilities, current portion	4,204
Other current liabilities	808
Other long-term liabilities	2,245
Total liabilities	10,691
Net assets	$ 3,661

Net proceeds received were as follows:

(In thousands)	
Purchase price	$ 36,300
Holdback receivables, including contracts not novated	(15,000)
Working capital adjustment, upon close	(5,324)
Net proceeds received	$ 15,976

Net gain on sale for the fiscal year ended January 3, 2021 was as follows:

(In thousands)	Fiscal Year Ended January 3, 2021
Net proceeds received	$15,976
Estimated receivable from amount held back for retained obligations	7,199
Liabilities for loss-making contracts retained	(6,026)
Book value of net assets sold	(3,661)
Working capital adjustment, post close	(3,154)
Net gain on sale	$10,334

Note 6. *BALANCE SHEET COMPONENTS*

Accounts Receivable, Net

(In thousands)	As of January 3, 2021	As of December 29, 2019
Accounts receivable, gross[1]	$124,402	$145,392
Less: allowance for doubtful accounts	(15,379)	(17,208)
Less: allowance for sales returns	(159)	(306)
Accounts receivable, net	$108,864	$127,878

1 There is a lien on our accounts receivable of $61.9 million out of our consolidated accounts receivable, gross, as of January 3, 2021 in connection with a Loan and Security Agreement entered into on March 29, 2019. See Note 12. *Debt and Credit Sources.*

(In thousands)	Balance at Beginning of Period	Charges (Releases) to Expenses / Revenues	Additions (Deductions)	Balance at End of Period
Allowance for doubtful accounts:				
Year ended January 3, 2021	$17,208	$ 524	$ (2,353)	$15,379
Year ended December 29, 2019	12,656	671	3,881	17,208
Year ended December 30, 2018	23,545	12,267	(23,156)	12,656
Allowance for sales returns:				
Year ended January 3, 2021	306	(147)	—	159
Year ended December 29, 2019	865	(559)	—	306
Year ended December 30, 2018	1,317	(452)	—	865

Inventories

(In thousands)	As of January 3, 2021	As of December 29, 2019
Raw materials[1]	$ 39,705	$ 36,072
Work-in-process[1]	143	948
Finished goods	170,734	126,385
Inventories[2 3]	$210,582	$163,405

1 Pertains to inventory at our U.S. manufacturing facilities in Hillsboro, Oregon that was retained post-Spin-Off and other components including micro-inverters and installation materials.

2 A lien of $142.6 million exists on our gross inventory as of January 3, 2021 in connection with a Loan and Security Agreement entered into on March 29, 2019. See Note 12. *Debt and Credit Sources.*

3 Refer to long-term inventory for the safe harbor program under the caption "Other long-term assets."

Prepaid Expenses and Other Current Assets

(In thousands)	As of January 3, 2021	As of December 29, 2019
Deferred project costs	$26,996	$29,202
VAT receivables, current portion	1,174	2,989
Deferred costs for solar power systems	24,526	29,631
Other receivables	19,348	17,185
Prepaid taxes	205	462
Other	22,002	7,286
Prepaid expenses and other current assets	$94,251	$86,755

Property, Plant and Equipment, Net

(In thousands)	As of January 3, 2021	As of December 29, 2019
Manufacturing equipment	$ 17,134	$ 17,080
Leasehold improvements	29,385	22,237
Solar power systems[1]	30,110	29,192
Computer equipment	49,935	62,292
Furniture and fixtures	7,899	8,043
Construction-in-process	3,080	4,506
Property, plant and equipment, gross	137,543	143,350
Less: accumulated depreciation	(90,777)	(87,490)
Property, plant and equipment, net	$ 46,766	$ 55,860

1 As a result of the adoption of ASC 842, all of our residential lease arrangements entered into on or after December 31, 2018 are excluded from the scope of the lease accounting guidance and are accounted for as service contracts in accordance with ASC 606. The related assets are recorded as "solar power systems" within "Property, plant and equipment, net" as of December 29, 2019.

Property, Plant and Equipment, Net, by Geography

(In thousands)	As of January 3, 2021	As of December 29, 2019
United States	$45,921	$54,923
Philippines	278	323
Other	567	614
Property, plant and equipment, net, by geography[1]	$46,766	$55,860

1 Based on the physical location of the assets.

Other Long-term Assets

(In thousands)	As of January 3, 2021	As of December 29, 2019
Equity investments with readily determinable fair value	$614,148	$173,908
Equity investments without readily determinable fair value	801	801
Equity investments with fair value option	9,924	17,500
Long-term inventory[1]	27,085	48,214
Other	43,754	37,382
Other long-term assets	$695,712	$277,805

1 Entire balance consists of finished goods for Solar Sail. Refer to Note 11. *Equity Investments* for further discussion regarding Solar Sail.

Accrued Liabilities

(In thousands)	As of January 3, 2021	As of December 29, 2019
Employee compensation and employee benefits	$ 23,312	$ 28,354
Interest payable	8,796	10,161
Short-term warranty reserves	29,337	20,868
Restructuring reserve	2,808	6,085
Legal expenses	10,493	7,846
Taxes payable	25,968	18,365
Other	21,201	24,597
Accrued liabilities	$121,915	$116,276

Other Long-term Liabilities

(In thousands)	As of January 3, 2021	As of December 29, 2019
Deferred revenue[1]	$ 36,527	$ 40,246
Long-term warranty reserves	52,540	80,512
Unrecognized tax benefits	12,584	7,218
Long-term pension liability	5,185	2,894
Long-term deferred tax liabilities	13,468	246
Other	37,293	26,658
Other long-term liabilities	$157,597	$157,774

1 Consists of advance consideration received from customers under the residential lease program for leases entered into prior to December 31, 2018, which continue to be accounted for in accordance with the superseded lease accounting guidance.

Accumulated Other Comprehensive Loss

(In thousands)	As of January 3, 2021	As of December 29, 2019
Cumulative translation adjustment	$9,635	$(12,250)
Net unrealized loss on derivative financial instruments	—	(1,238)
Net gain on long-term pension liability adjustment	(820)	3,976
Deferred taxes	(16)	—
Accumulated other comprehensive loss	$8,799	$ (9,512)

Note 7. *SOLAR SERVICES*

Upon adoption of ASC 842 on December 31, 2018, all arrangements under our residential lease program entered into on or after December 31, 2018 are accounted for as contracts with customers in accordance with ASC 606. The disclosure below relates to the residential lease arrangements entered into before December 31, 2018, which we continue to retain and are accounted for in accordance with the superseded lease accounting guidance.

Operating Leases

The following table summarizes "Solar power systems leased and to be leased, net" under operating leases on our consolidated balance sheets as of January 3, 2021 and December 29, 2019:

(In thousands)	As of January 3, 2021	As of December 29, 2019
Solar power systems leased and to be leased, net[1]:		
Solar power systems leased	$115,620	$116,948
	115,620	116,948
Less: accumulated depreciation and impairment[2]	(65,219)	(62,610)
Solar power systems leased and to be leased, net	$ 50,401	$ 54,338

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

2 For the year ended January 3, 2021 and December 29, 2019, we recognized a non-cash impairment charge of zero and $4.0 million, respectively, on solar power systems leased and to be leased.

The following table presents our minimum future rental receipts on operating leases placed in service as of January 3, 2021:

(In thousands)	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Thereafter	Total
Minimum future rentals on operating leases placed in service[1]	$68	$65	$65	$66	$66	$911	$1,241

1 Does not include contingent rentals that may be received from customers under agreements that include performance-based incentives.

Sale of residential lease assets

On July 10, 2018, we created SunStrong Capital Holdings, LLC (''SunStrong'') to own and operate a portion of our residential lease assets and subsequently contributed to SunStrong our controlling equity interests in a number of solar project entities that we controlled. Further, on November 5, 2018, we entered into a Purchase and Sale agreement (''PSA'') with HA SunStrong Capital LLC (''HA SunStrong Parent''), a subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc. (''Hannon Armstrong''), to sell 49.0% of the membership interests in SunStrong for cash proceeds of $10 million.

On September 27, 2019, we sold the majority of our remaining residential lease assets. These residential lease assets were sold under a new assignment of interest agreement entered into with SunStrong. SunStrong also assumed debts related to the residential lease assets sold.

Note 8. *FAIR VALUE MEASUREMENTS*

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

We measure certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period.

The following table summarizes our assets and liabilities measured and recorded at fair value on a recurring basis as of January 3, 2021 and December 29, 2019:

	January 3, 2021				December 29, 2019			
(In thousands)	Total Fair Value	Level 3	Level 2	Level 1	Total Fair Value	Level 3	Level 2	Level 1
Assets								
Other long-term assets:								
Equity investments with fair value option (''FVO'')	$ 9,924	$9,924	$ —	$ —	$ 17,500	$17,500	$ —	$ —
Equity investments with readily determinable fair value	614,148	—	—	614,148	173,908	—	—	173,908
Total assets	$624,072	$9,924	$ —	$614,148	$191,408	$17,500	$ —	$173,908
Liabilities								
Other long-term liabilities:								
Interest rate swap contracts	$ 600	$ —	$600	$ —	$ 373	$ —	$373	$ —
Total liabilities	$ 600	$ —	$600	$ —	$ 373	$ —	$373	$ —

Equity investments with fair value option ("FVO")

We have elected the fair value option in accordance with the guidance in ASC 825, *Financial Instruments*, for our investment in the SunStrong joint venture and SunStrong Partners, to mitigate volatility in reported earnings that results from the use of different measurement attributes (see Note 11 *Equity Investments*). We initially computed the fair value for our investments consistent with the methodology and assumptions that market participants would use in their estimates of fair value with the assistance of a third-party valuation specialist. The fair value computation is updated on a quarterly basis. The investments are classified within Level 3 in the fair value hierarchy because we estimate the fair value of the investments using the income approach based on the discounted cash flow method which considers estimated future financial performance, including assumptions for, among others, forecasted contractual lease income, lease expenses, residual value of these lease assets and long-term discount rates, and forecasted default rates over the lease term and discount rates, some of which require significant judgment by management and are not based on observable inputs.

The following table summarizes movements in equity investments for the year ended January 3, 2021. There were no internal movements to or from Level 3 from Level 1 or Level 2 for the year ended January 3, 2021.

(In thousands)	Beginning balance as of December 29, 2019	Equity Distribution[1]	Additional Investment[2]	Balance as of January 3, 2021
Equity investments with FVO	$17,500	$(7,724)	$148	$9,924

1 During the second quarter of fiscal 2020, we received a total of $7.7 million in cash proceeds. Proceeds of $7.2 million were received from SunStrong Partners and proceeds of $0.5 million were received from SunStrong. The distribution was approved by the SunStrong Board of Directors on June 24, 2020. The distribution reduced our equity investment balance in SunStrong Partners and SunStrong classified in "other long-term assets" on our consolidated balance sheet.

2 During the third quarter of fiscal 2020, we contributed a total of $0.1 million additional capital to purchase Class B member units in Ultralight 2 HoldCo, LLC.

Level 3 significant unobservable inputs sensitivity

The following table summarizes the significant unobservable inputs used in Level 3 valuation of our investments carried at fair value as of January 3, 2021. Included in the table are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.

		2020		
Assets:	Fair value	Valuation Technique	Unobservable input	Range (Weighted Average)
Other long-term assets:				
Equity investments	$9,924	Discounted cash flows	Discount rate	12.5%-13%[1]
			Residual value	7.5%[1]
Total assets	$9,924			

1 The primary unobservable inputs used in the fair value measurement of our equity investments, when using a discounted cash flow model, are the discount rate and residual value. Significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. We estimate the discount rate based on our projected cost of equity. We estimate the residual value based on the contracted systems in place in the years being projected. Significant increases (decreases) in the residual value in isolation would result in a significantly higher (lower) fair value measurement.

Equity investments with readily determinable fair value

In connection with the divestment of our microinverter business to Enphase Energy, Inc. ("Enphase") on August 9, 2018, we received 7.5 million shares of Enphase common stock (NASDAQ: ENPH). The common stock received was recorded as an equity investment with readily determinable fair value (Level 1), with changes in fair value recognized in net income in accordance with ASU 2016-01 *Recognition and Measurement of Financial Assets and Liabilities*. For fiscal 2020 and 2019, we recorded a gain of $690.8 million and a gain of $158.3 million, respectively, within "other, net" in our consolidated statement of operations. During the year ended December 29, 2019, we sold one million of shares of Enphase common stock for cash proceeds of $20.6 million. During the fiscal year ended January 3, 2021, we sold an additional three million shares of Enphase common stock, in open market transactions for cash proceeds of $250.6 million. As of January 3, 2021, we retained 3.5 million shares of Enphase common stock.

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

We measure certain investments and non-financial assets (including property, plant and equipment, and other intangible assets) at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost. As of January 3, 2021 and December 29, 2019, there were no material items recorded at fair value.

Equity investments without readily determinable fair value

These equity investments are securities in privately-held companies without readily determinable market values. We periodically adjust the carrying value of our equity securities to cost less impairment, adjusted for observable price changes in orderly transactions for an identical or similar investment of the same issuer. Equity investments without readily determinable fair value are classified within Level 3 in the fair value hierarchy because we estimate the value based on valuation methods using a combination of observable and unobservable inputs including valuation ascribed to the issuing company in subsequent financing rounds, volatility in the results of operations of the issuers, and rights and obligations of the securities we hold.

Note 9. *RESTRUCTURING*

December 2019 Restructuring Plan

During the fourth quarter of fiscal 2019, we adopted a restructuring plan to realign and optimize workforce requirements in light of recent changes to our business, including the previously announced planned Spin-Off of Maxeon Solar. In connection with the restructuring plan, which included actions implemented in the fourth quarter of 2019 and is expected to be substantially completed by the end of 2022, we expect between 145 and 160 non-manufacturing employees, representing approximately 3% of our global workforce, to exit over a period of approximately 12 to 18 months. Between 65 and 70 of these employees in the legacy SunPower Technologies business unit and corporate have largely been informed, most of whom exited our company following the Spin-Off, and the remainder of which will exit upon completion of transition services. As the legacy SunPower Energy Services business unit refines its focus on distributed generation, storage, and energy services, 80 to 90 employees exited during the fourth fiscal quarter of 2019 and the first half of 2020. We expected to incur restructuring charges totaling approximately \$16 million to \$22 million, consisting primarily of severance benefits (between \$8 million and \$11 million) and retention benefits (between \$8 million and \$11 million) primarily associated with the retention of employees impacted by the Spin-Off transaction and certain key research and development employees. A substantial portion of such charges was incurred in the fourth quarter of fiscal 2019. As of January 3, 2021, we had incurred cumulative costs of approximately \$10.1 million in restructuring charges.

February 2018 Restructuring Plan

During the first quarter of fiscal 2018, we adopted a restructuring plan and began implementing initiatives to reduce operating expenses and cost of revenue overhead in light of the known shorter-term impact of U.S. tariffs imposed on PV solar cells and modules pursuant to Section 201 of the Trade Act of 1974 and our broader initiatives to control costs and improve cash flow. In connection with the plan, we expected between 150 and 250 non-manufacturing employees to be affected, representing approximately 3% of our global workforce, with a portion of those employees exiting from us as part of a voluntary departure program. The changes to our workforce varied by country, based on local legal requirements and consultations with employee works councils and other employee representatives, as appropriate. We expected to incur restructuring charges totaling between \$20 million to \$30 million, consisting primarily of severance benefits (between \$11 million and \$16 million) and real estate lease termination and other associated costs (between \$9 million and \$14 million). We expected between \$12 million and \$20 million of the charges to be paid in cash. This restructuring plan is substantially complete, and any remaining costs to be incurred are not expected to be material.

Legacy Restructuring Plans

Prior to fiscal 2018, we implemented approved restructuring plans, related to all segments, to reduce costs and focus on improving cash flow, to realign our legacy power plant business unit, to align with changes in the global solar market, as well as actions to accelerate operating cost reduction and improve overall operating efficiency. These restructuring activities were substantially complete as of December 30, 2018, and any remaining costs to be incurred are not expected to be material.

The following table summarizes the comparative periods-to-date restructuring charges by plan recognized in our consolidated statements of operations:

	Fiscal Year Ended		
(In thousands)	January 3, 2021	December 29, 2019	December 30, 2018
December 2019 Restructuring Plan:			
Severance and benefits	$2,678	$ 7,355	$ —
Other costs[1]	6	41	—
Total December 2019 Restructuring Plan	2,684	7,396	—
February 2018 Restructuring Plan:			
Non-cash asset impairment charges	—	5,874	—
Severance and benefits	—	(47)	6,309
Lease and related termination costs	(26)	554	—
Other costs[1]	11	818	77
Total February 2018 Restructuring Plan	(15)	7,199	6,386
Legacy Restructuring Plan:			
Severance and benefits	(65)	30	1,357
Other costs[1]	—	2	1,988
Total Legacy Restructuring Plan	(65)	32	3,345
Total restructuring charges	$2,604	$14,627	$9,731

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

The following table summarizes the restructuring reserve activities during the year ended January 3, 2021:

	Fiscal Year			
(In thousands)	2019	Charges (Benefits)	(Payments) Recoveries	2020
December 2019 Restructuring Plan:				
Severance and benefits	$5,822	$2,678	$(5,892)	$2,608
Other costs[1]	—	6	(6)	—
Total 2019 Restructuring Plan	5,822	2,684	(5,898)	2,608
February 2018 Restructuring Plan:				
Severance and benefits	76	—	(6)	70
Lease and related termination costs	—	(26)	26	—
Other costs[1]	—	11	(11)	—
Total February 2018 Restructuring Plan	76	(15)	9	70
Legacy Restructuring Plans	187	(65)	8	130
Total restructuring reserve activities	$6,085	$2,604	$(5,881)	$2,808

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

Note 10. *COMMITMENTS AND CONTINGENCIES*

Facility and Equipment Leases

We lease certain facilities under non-cancellable operating leases from third parties. We also lease certain buildings under non-cancellable capital leases. Operating leases are subject to renewal options for periods ranging from 1 year to 10 years.

We have disclosed quantitative information related to the lease contracts we have entered into as a lessee by aggregating the information based on the nature of asset such that the assets of similar characteristics and lease terms are shown within one single financial statement line item.

The table below presents the summarized quantitative information with regard to lease contracts we have entered into:

	Fiscal Year Ended	
(In thousands)	**January 3, 2021**	**December 29, 2019**
Operating leases:		
Operating lease expense	$14,128	$ 11,823
Sublease gain	(272)	(276)
Rent expense	$13,856	$ 11,547
Cash paid for amounts included in the measurement of lease liabilities		
Cash paid for operating leases[1]	$18,984	$ 15,256
Right-of-use assets obtained in exchange for lease obligations[1]	$22,794	$111,142
Weighted-average remaining lease term (in years) - operating leases	7.6	8.5
Weighted-average discount rate - operating leases	9%	9%

1 Amounts for the fiscal years ended January 3, 2021 and December 29, 2019 include consolidated balances, including discontinued operations.

The future minimum lease payments to be paid under non-cancellable leases in effect at January 3, 2021, are as follows (in thousands):

As of January 3, 2021	**Operating leases**
2021	$ 14,164
2022	14,762
2023	11,781
2024	8,041
2025	4,399
Thereafter	24,772
Total lease payments	77,919
Less: imputed interest	(24,576)
Total	$ 53,343

As of January 3, 2021, we have additional operating leases that have not yet commenced with future minimum lease payments amounting to $27.0 million. These operating leases will commence in the third quarter of fiscal 2021 with lease terms of 16 years.

Purchase Commitments

In connection with the Spin-Off on August 26, 2020, we entered into a Supply Agreement with Maxeon Solar to purchase photovoltaic modules for a period of two years. Under the Supply Agreement, we are required to purchase certain minimum volumes of products during each calendar quarter of the term based on a fixed purchase price. We will be subject to penalties for failing to purchase the minimum product volumes.

Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of January 3, 2021 are as follows:

(In thousands)	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Fiscal 2024**	**Fiscal 2025**	**Thereafter**	**Total[1]**
Future purchase obligations	$286,402	$104,506	$33,148	$1,710	$775	$5,307	$431,848

1 Total future purchase obligations were composed of $37.4 million related to non-cancellable purchase orders and $394.4 million related to long-term supply agreements.

Note that the future purchase obligations immediately above primarily consist of commitments to purchase photovoltaic modules from Maxeon Solar as well as commitments to purchase Module-Level Power Electronics (''MLPE'') supplied by one vendor.

The terms of all our long-term supply agreements are reviewed annually by us and we assess the need for any accruals for estimated losses on adverse purchase commitments, such as lower of cost or net realizable value adjustments that will not be recovered by future sales prices, forfeiture of advanced deposits, and liquidated damages, as necessary.

Product Warranties

The following table summarizes accrued warranty activities for fiscal 2020, 2019, and 2018:

	Fiscal Year Ended		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Balance at the beginning of the period	$101,380	$121,512	$129,971
Accruals for warranties issued during the period	16,650	17,146	18,266
Settlements and adjustments during the period	(36,153)	(37,278)	(26,725)
Balance at the end of the period	$ 81,877	$101,380	$121,512

The warranty provision represents the warranty retained by SunPower, and excludes warranties of $34.6 million relating to product manufacturing defects and workmanship that were assumed by Maxeon Solar in connection with the Spin-Off on August 26, 2020 in accordance with the separation and distribution agreement.

In some cases, we may offer customers the option to purchase extended warranties to ensure protection beyond the standard warranty period. In those circumstances, the warranty is considered a distinct service and we account for the extended warranty as a performance obligation and allocate a portion of the transaction price to that performance obligation. More frequently, customers do not purchase a warranty separately. In those situations, we account for the warranty as an assurance-type warranty, which provides customers with assurance that the product complies with agreed-upon specifications, and this does not represent a separate performance obligation. Such warranties are recorded separately as liabilities and presented within ''accrued liabilities'' and ''other long-term liabilities'' on our consolidated balance sheets (see Note 6. *Balance Sheet Components*).

Project Agreements with Customers

Project agreements entered into with our commercial and power plant customers often require us to undertake obligations including: (i) system output performance warranties, (ii) penalty payments or customer termination rights if the system we are constructing is not commissioned within specified time frames or other milestones are not achieved, and (iii) system put-rights whereby we could be required to buy back a customer's system at fair value on specified future dates if certain minimum performance thresholds are not met for specified periods. Historically, our systems have performed significantly above their performance warranty thresholds, and there have been no cases in which we have had to buy back a system. As of January 3, 2021 and December 29, 2019, we had $9.1 million and $7.5 million, respectively, classified as ''accrued liabilities,'' and $3.1 million and $2.8 million, respectively, classified as ''other long-term liabilities'' on our consolidated balance sheets for such obligations.

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $12.6 million and $7.2 million as of January 3, 2021 and December 29, 2019, respectively. These amounts are included within ''other long-term liabilities'' on our consolidated balance sheets in their respective periods as they are not expected to be paid within the next 12 months. Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement, if any, would be made for our liabilities associated with uncertain tax positions in Other long-term liabilities.

Indemnifications

We are a party to a variety of agreements under which we may be obligated to indemnify the counterparty with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which we customarily agree to hold the other party harmless against losses arising from a breach of warranties, representations, and covenants related to such matters as title to assets sold, negligent acts, damage to property, validity of certain intellectual property rights, non-infringement of third-party rights, and certain tax related matters including indemnification to customers under Section 48(c) of the Internal Revenue Code of 1986, as amended, regarding solar commercial investment tax credits (''ITCs'') and U.S. Treasury Department (''U.S. Treasury'') cash grant payments under Section 1603 of the American Recovery and Reinvestment Act (each a ''Cash Grant''). Further, in connection with our sale of residential lease assets in fiscal 2018 to SunStrong, we provide Hannon Armstrong indemnification related to cash flow losses arising from a recapture of California property taxes on account of a change in ownership, recapture of federal tax attributes and cash flow losses from leases that do not generate the promised savings to homeowners. The maximum exposure to loss arising from the indemnification for SunStrong is limited to the consideration received for the solar power systems. In each of these circumstances, payment by us is typically subject to the other party making a claim to us that is contemplated by and valid under the indemnification provisions of the particular contract, which provisions are typically contract-specific, as well as bringing the claim under the procedures specified in the particular contract. These procedures usually allow us to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third-party claims brought against the other party. Further, our obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration, or amount. In some instances, we may have recourse against third parties or insurance covering certain payments made by us.

In certain circumstances, we have provided indemnification to customers and investors under which we are contractually obligated to compensate these parties for losses they may suffer as a result of reductions in benefits received under ITCs and U.S. Treasury Cash Grant programs. We apply for ITCs and Cash Grant incentives based on guidance provided by the Internal Revenue Service (''IRS'') and the U.S. Treasury, which include assumptions regarding the fair value of the qualified solar power systems, among others. Certain of our development agreements, sale-leaseback arrangements, and financing arrangements with tax equity investors, incorporate assumptions regarding the future level of incentives to be received, which in some instances may be claimed directly by our customers and investors. Generally, such obligations would arise as a result of reductions to the value of the underlying solar power systems as assessed by the IRS. At each balance sheet date, we assess and recognize, when applicable, the potential exposure from these obligations based on all the information available at that time, including any audits undertaken by the IRS. The maximum potential future payments that we could have to make under this obligation would depend on the difference between the eligible basis claimed on the tax filing for the solar energy systems sold or transferred to indemnified parties and the values that the IRS may re-determine as the eligible basis for the systems for purposes of claiming ITCs or Cash Grants. We use the eligible basis for tax filing purposes determined with the assistance of independent third-party appraisals to determine the ITCs that are passed-through to and claimed by the indemnified parties. We continue to retain certain indemnities, specifically, around ITCs and Cash Grants and California property taxes, even after the underlying portfolio of assets is sold to a third party. For contracts that have such indemnification provisions, we recognize a liability under ASC 460, ''Guarantees,'' for the estimated premium that would be required by a guarantor to issue the same guarantee in a standalone arm's-length transaction with an unrelated party. We recognize such liabilities at the greater of the fair value of the indemnity or the contingent liability required to be recognized under ASC 450, ''Contingencies.'' We initially estimate the fair value of any such indemnities provided based on the cost of insurance policies that cover the underlying risks being indemnified and may purchase such policies to mitigate our exposure to potential indemnification payments. After an indemnification liability is recorded, we derecognize such amount typically upon expiration or settlement of the arrangement. As of January 3, 2021, and December 29, 2019, our provision was $9.4 million and $8.3 million, respectively, primarily for tax related indemnifications.

SunPower is party to various supply agreements (collectively, the ''Hemlock Agreements'') with Hemlock Semiconductor Operations LLC (f/k/a Hemlock Semiconductor Corporation) and its affiliate, Hemlock Semiconductor, LLC for the procurement of polysilicon. In connection with the Spin-Off, SunPower and Maxeon Solar entered into an agreement (the ''Back-to-Back Agreement'') pursuant to which Maxeon Solar will effectively receive SunPower's rights under the Hemlock Agreements (including SunPower's deposits and advanced payments thereunder) and, in return, Maxeon Solar will agree to perform all of SunPower's existing and future obligations under the Hemlock Agreements (including all take-or-pay obligations). While, as we remain a party to the Hemlock Agreements, we may contractually be liable to the vendor in case of non-payment by Maxeon Solar, we do not believe we have any current or future net exposure under the Hemlock Agreements as of the end of fiscal year ended January 3, 2021. Maxeon Solar's remaining obligations under this contract amounts to $116.6 million and $125.8 million, for fiscal 2021 and fiscal 2022, respectively.

Pursuant to the Separation and Distribution Agreement, we also agreed to indemnify Maxeon Solar for any liabilities arising out of certain existing litigation relating to businesses contributed to Maxeon Solar in connection with the Spin-Off. We expect to be actively involved in managing this litigation together with Maxeon Solar. The indemnity qualifies for the criteria for accounting under the guidance in ASC 460 and we have recorded the liability of litigation of $1.9 million equal to the fair value of the guarantee provided as of the fiscal year ended January 3, 2021.

Legal Matters

We are a party to various litigation matters and claims that arise from time to time in the ordinary course of our business. While we believe that the ultimate outcome of such matters will not have a material adverse effect on us, their outcomes are not determinable and negative outcomes may adversely affect our financial position, liquidity, or results of operations.

Note 11. *EQUITY INVESTMENTS*

Our equity investments consist of equity investments with readily determinable fair value, investments without readily determinable fair value, equity investments accounted for using the fair value option, and equity method investments.

Our share of earnings (losses) from equity investments accounted for under the equity method is reflected as ''Equity in earnings (losses) of unconsolidated investees'' in our consolidated statements of operations. Mark-to-market gains and losses on equity investments with readily determinable fair value are reflected as ''other, net'' under other income (expense), net in our consolidated statements of operations. The carrying value of our equity investments, classified as ''other long-term assets'' on our consolidated balance sheets, are as follows:

	As of	
(In thousands)	**January 3, 2021**	**December 29, 2019**
Equity investments with readily determinable fair value:		
Enphase Energy, Inc.	$614,148	$173,908
Total equity investments with readily determinable fair value	614,148	173,908
Equity investments without readily determinable fair value:		
Project entities	122	122
Other equity investments without readily determinable fair value	679	679
Total equity investments without readily determinable fair value	801	801
Equity investments with fair value option:		
SunStrong Capital Holdings, LLC[1 2]	7,645	8,000
SunStrong Partners, LLC[1 2]	2,279	9,500
Total equity investment with fair value option	9,924	17,500
Total equity investments	$624,873	$192,209

1 During the second quarter of fiscal 2020, we received a total of $7.7 million in cash proceeds. Proceeds of $7.2 million were received from SunStrong Partners and proceeds of $0.5 million were received from SunStrong. The distribution was approved by the SunStrong Board of Directors on June 24, 2020. The distribution reduced our equity investment balance in SunStrong Partners and SunStrong classified in ''other long-term assets'' on our consolidated balance sheet.

2 During the third quarter of fiscal 2020, we contributed a total of $0.1 million additional capital to purchase Class B member units in Ultralight 2 HoldCo, LLC.

Variable Interest Entities (''VIEs'')

A VIE is an entity that has either (i) insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) equity investors who lack the characteristics of a controlling financial interest. Under ASC 810, *Consolidation*, an entity that holds a variable interest in a VIE and meets certain requirements would be considered to be the primary beneficiary of the VIE and is required to consolidate the VIE in its consolidated financial statements. In order to be considered the primary beneficiary of a VIE, an entity must hold a variable interest in the VIE and have both:

- The power to direct the activities that most significantly impact the economic performance of the VIE; and
- The right to receive benefits from, or the obligation to absorb losses of the VIE that could be potentially significant to the VIE.

We follow guidance on the consolidation of VIEs that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct activities that most significantly impact the investees' economic performance, including powers granted to the investees' governing board and, to a certain extent, a company's economic interest in the investee. We analyze our investments in VIEs and classify them as either:

- A VIE that must be consolidated because we are the primary beneficiary or the investee is not a VIE and we hold the majority voting interest with no significant participative rights available to the other partners; or
- A VIE that does not require consolidation because we are not the primary beneficiary or the investee is not a VIE and we do not hold the majority voting interest.

As part of the above analysis, if it is determined that we have the power to direct the activities that most significantly impact the investees' economic performance, we consider whether or not we have the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

Unconsolidated VIEs

On November 5, 2018, we sold a portion of our interest in certain entities that have historically held the assets and liabilities comprising our residential lease business to an affiliate of Hannon Armstrong. The residential lease assets are held in SunStrong which owns and operates those assets. The SunStrong partnership is planned to scale as new residential lease assets are contributed to the partnership.

In furtherance of our long-term strategic goals, in June 2019, we entered into a joint venture with Hannon Armstrong and SunStrong to form SunStrong Partners, a jointly owned entity formed to own, operate, and control residential lease assets. Bank of America Merrill Lynch (''BAML'') provided cash equity and a multi-draw term loan, with additional equity provided by us, Hannon Armstrong, and SunStrong. In June 2019, we made a $9.5 million equity investment in SunStrong Partners, in exchange for a 47.5% equity ownership.

Further, in June 2019, we entered into a joint venture with Hannon Armstrong and SunStrong to form 8point3 Solar Investco 3 Holdings, LLC (''8point3 Holdings''), a jointly owned entity to own, operate and control a separate portfolio of existing residential lease assets, that was purchased from Capital Dynamics. Hannon Armstrong provided all of the necessary initial capital contribution to 8point3 Holdings that was used to purchase this portfolio and Hanon Armstrong owns 45.1% of the equity in 8point3 Holdings. In connection with the formation of this joint venture, we received a 44.9% of the equity interest for a minimal value. SunStrong owns the remaining 10% of the equity in 8point3 Holdings.

With respect to our interest in the SunStrong and SunStrong Partners, we have offered certain substantive, non-standard indemnities to the investees or third party tax equity investors, related to cash flow losses arising from a recapture of California property taxes on account of a change in ownership, recapture of federal tax attributes, and any cash flow losses from leases that do not generate the promised savings to homeowners or tax equity investors. The maximum exposure to loss arising from the indemnification for SunStrong is limited to the consideration received for the solar power systems. The maximum exposure to loss arising from the indemnification for SunStrong Partners is limited to $250 million. Our retention of these indemnification obligations may require us to absorb losses that are not proportionate with our equity interests. As such, we determined that the investees are variable interest entities.

Based on the assessment of the required criteria for consolidation, we determined that we do not have the power to unilaterally make decisions that affect the performance of these investees. Under the respective operating and governance agreements, we and Hannon Armstrong are given equal governing rights and all major decisions, including among others, approving or modifying the budget, terminating service providers, incurring indebtedness, refinancing any existing loans, declaring distributions, commencing or settling any claims. Therefore, we concluded that these investees are under joint control and we are not the primary beneficiary of these investees.

During the second quarter of fiscal 2020, we received a total of $7.7 million in cash proceeds. Proceeds of $7.2 million were received from SunStrong Partners and proceeds of $0.5 million were received from SunStrong. The distribution was in accordance with the original investment agreements for SunStrong Partners upon closing of the tax equity fund and was approved by the SunStrong Board of Directors on June 24, 2020. The distribution reduced our equity investment balance in SunStrong Partners and SunStrong classified in ''other long-term assets'' on our consolidated balance sheet.

During the third quarter of fiscal 2020, we established a new residential lease fund (''Ultralight 2'') for solar and storage systems. The fund was established under SunStrong Partners, our existing joint venture with Hannon Armstrong to form a new cash equity limited liability corporation. The new fund met the criteria for reassessment of SunStrong Partners under the VIE model. Based on the reassessment performed, the new fund did not change our prior conclusion that we are not the primary beneficiary of SunStrong Partners, and therefore, do not consolidate it in our consolidated financial statements.

We recorded an additional $0.1 million investment to establish Ultralight 2. In addition, we also recorded a $11.1 million receivable and $16.7 million customer advance recorded in ''Contract liabilities, current portion'' on our consolidated balance sheet.

We have elected the FVO in accordance with the guidance in ASC 825, *Financial Instruments*, for our investments in SunStrong, SunStrong Partners, and 8point3 Holdings. Refer to Note 8. *Fair Value Measurements*.

Summarized Financial Information of Unconsolidated VIEs

The following summary of unaudited financial information of the unconsolidated VIEs, is derived from the unaudited financial statements of such VIEs. The following table presents summarized financial statements for SunStrong, a significant investee, based on unaudited information provided to us by the investee:[1]

	Fiscal Year Ended	
(In thousands)	**January 3, 2021**	**December 29, 2019**
Summarized statements of operations information:		
Revenue	123,772	72,595
Gross loss	(10,788)	(16,786)
Net income	52,483	1,374

	As of	
(In thousands)	**January 3, 2021**	**December 29, 2019**
Summarized balance sheet information:		
Current assets	93,752	225,576
Long-term assets	1,378,382	1,049,451
Current liabilities	48,126	125,601
Long-term liabilities	1,130,484	847,365

1 Note that amounts are reported one quarter in arrears as permitted by applicable guidance.

Consolidated VIEs

Our sale of solar power systems to residential and commercial customers in the United States are eligible for ITC. Under current law, the ITC was reduced from approximately 30% of the cost of the solar power systems to approximately 26% for solar power systems that commenced construction after December 31, 2019. With the recent extension of the ITC passed in January 2021, the current 26% ITC will continue for solar power systems that commence construction before December 31, 2022, before being reduced to 22% for solar power systems that commence construction after December 31, 2022, and permanently reduced to 10% for commercial projects and 0% for residential projects for solar power systems that commence construction after December 31, 2023. IRS guidance on the current law provides for the ability to obtain a safe harbor with respect to the ITC on qualifying solar power systems, allowing preservation of the current ITC rates for projects that are completed after the scheduled reduction in rates assuming other required criteria as prescribed by the IRS are met.

In September 2019, we entered into the Solar Sail LLC (''Solar Sail'') and Solar Sail Commercial Holdings, LLC (''Solar Sail Commercial'') joint ventures with Hannon Armstrong Sustainable Infrastructure Capital, Inc. (''Hannon Armstrong''), to finance the purchase of 200 MWs of panel inventory in accordance with IRS safe harbor guidance, to preserve the 30% federal ITC for third-party owned commercial and residential systems. The companies expect to increase the volume in later years, for which Hannon Armstrong has extended a secured financing of up to $112.6 million as of January 3, 2021 (Refer to Note 12, *Debt and Credit Sources* for other terms and conditions of this facility). The portion of the value of the safe harbored panels was funded by equity contributions in the joint venture of $6.0 million each by SunPower and Hannon Armstrong.

Based on the relevant accounting guidance summarized above, we determined that Solar Sail and Solar Sail Commercial are VIEs and after performing the assessment of required criteria for consolidation, we determined that we are the primary beneficiary of Solar Sail and Solar Sail Commercial as we have power to direct the activities that significantly impact the entity's economic performance and we have exposure to significant profits or losses, and as such, we consolidate both of these entities.

Total revenue of the consolidated investees was $13.5 million for the fiscal year ended January 3, 2021. The assets of our consolidated investees are restricted for use only by the particular investee and are not available for our general operations. As of January 3, 2021, we had $103.9 million of assets from the consolidated investees.

Related-Party Transactions with Investees

Related-party transactions with investees are as follows:

(In thousands)	As of January 3, 2021	As of December 29, 2019
Accounts receivable	$16,767	$23,900
Accrued liabilities	7,996	7,540
Contract liabilities	27,426	29,599

(In thousands)	Fiscal Year Ended January 3, 2021	December 29, 2019	December 30, 2018
Revenues and fees received from investees for products/services[1]	201,130	109,512	9,717

1 Includes a portion of proceeds received from tax equity investors in connection with 8point3 Energy Partners transactions during fiscal 2018.

Note 12. *DEBT AND CREDIT SOURCES*

The following table summarizes our outstanding debt on our consolidated balance sheets:

	January 3, 2021				December 29, 2019			
(In thousands)	Face Value	Short-term	Long-term	Total	Face Value	Short-term	Long-term	Total
Convertible debt:								
0.875% debentures due 2021	$ 62,634	$ 62,531	$ —	$ 62,531	$400,000	$ —	$399,058	$399,058
4.00% debentures due 2023	425,000	—	422,443	422,443	425,000	—	421,201	421,201
CEDA loan	30,000	—	29,219	29,219	30,000	—	29,141	29,141
Non-recourse financing and other debt	126,283	97,059	27,228	124,287	131,244	44,473	83,199	127,672
	$643,917	$159,590	$478,890	$638,480	$986,244	$44,473	$932,599	$977,072

As of January 3, 2021, the aggregate future contractual maturities of our outstanding debt, at face value, were as follows:

(In thousands)	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Thereafter	Total
Aggregate future maturities of outstanding debt	$161,071	$23,103	$425,736	$777	$820	$32,410	$643,917

Convertible Debt

The following table summarizes our outstanding convertible debt:

	January 3, 2021			December 29, 2019		
(In thousands)	Carrying Value	Face Value	Fair Value[1]	Carrying Value	Face Value	Fair Value[1]
Convertible debt:						
0.875% debentures due 2021	$ 62,531	$ 62,634	$ 64,018	$399,058	$400,000	$371,040
4.00% debentures due 2023	422,443	425,000	549,398	421,201	425,000	348,628
	$484,974	$487,634	$613,416	$820,259	$825,000	$719,668

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

Our outstanding convertible debentures are senior, unsecured obligations ranking equally with all of our existing and future senior unsecured indebtedness.

0.875% Debentures Due 2021

In June 2014, we issued $400.0 million in principal amount of our 0.875% debentures due June 1, 2021. An aggregate principal amount of $250.0 million of the 0.875% debentures due 2021 was initially acquired by Total. Interest is payable semi-annually, beginning on December 1, 2014. The 0.875% debentures due 2021 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 0.875% debentures due 2021 was 20.5071 shares of common stock per $1,000 principal amount of 0.875% senior convertible debentures (which was equivalent to an initial conversion price of approximately $48.76 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate was adjusted to 25.1388 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $39.78 per share). The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.875% debentures due 2021. If not earlier repurchased or converted, the 0.875% debentures due 2021 mature on June 1, 2021.

We repurchased a portion of our outstanding 0.875% debentures due 2021 in the first and third quarters during fiscal 2020. On November 24, 2020, we announced a tender offer (the ''Offer'') to purchase any and all of our outstanding 0.875% debentures due 2021. On December 23, 2020, we announced the expiration and final results of the Offer, as of the expiration of the Offer, $238.9 million aggregate principal amount of the 0.875% debentures due 2021, representing approximately 79.23% of the total 0.875% debentures due 2021outstanding, including $193.6 million aggregate principal amount of the debentures held by Total, were validly tendered (and not validly withdrawn). We accepted for purchase all Convertible Debentures that were validly tendered (and not validly withdrawn) pursuant to the Offer at the expiration of the Offer at a purchase price equal to $1,000 per $1,000 principal amount of the 0.875% debentures due 2021, plus accrued and unpaid interest.

In aggregate, during the fiscal year ended January 3, 2021, we purchased $337.4 million, of aggregated principal amount of the 0.875% debentures due 2021 for cash proceeds of approximately $334.7 million, net. The purchases and early retirements resulted in a gain from extinguishment of debt of approximately $2.2 million in the fiscal year ended January 3, 2021, which represented the difference between the book value of the convertible notes, net of the remaining unamortized discount prior to repurchase and the reacquisition price of the convertible notes upon repurchase. The gain was recorded within ''Other, net'' on the consolidated statement of operations.

4.00% Debentures Due 2023

In December 2015, we issued $425.0 million in principal amount of our 4.00% debentures due 2023. An aggregate principal amount of $100.0 million of the 4.00% debentures due 2023 was acquired by Total. Interest is payable semi-annually, beginning on July 15, 2016. The 4.00% debentures due 2023 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 4.00% debentures due 2023 was 32.7568 shares of common stock per $1,000 principal amount of debentures (which was equivalent to an initial conversion price of approximately $30.53 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate adjusted to 40.1552 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $24.90 per share), which provides Total the right to acquire up to 4,015,515 shares of our common stock. Notice of the conversion rate adjustment was delivered to Wells Fargo Bank, National Association, the trustee, in accordance with the terms of the indenture governing the 4.00% debentures due 2023. The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 4.00% debentures due 2023. If not earlier repurchased or converted, the 4.00% debentures due 2023 mature on January 15, 2023.

As of January 3, 2021, the if-converted value of the debentures due 2023 exceeds the outstanding principal amount by $12.6 million.

Other Debt and Credit Sources

Financing for Safe Harbor Panels Inventory

On September 27, 2019, we entered into a joint venture with Hannon Armstrong, to finance up to 200 MWs of panels inventory, preserving the 30% federal ITC for third-party owned commercial and residential systems and meeting safe harbor guidelines.

The loan carries an interest rate of 7.5% per annum payable quarterly. Principal amount on the loan is expected to be repaid quarterly from the financing proceeds of the underlying projects. The ultimate maturity date for the loan is June 30, 2022. As of January 3, 2021, we had $77.8 million outstanding under this facility.

Loan Agreement with California Enterprise Development Authority (“CEDA”)

In 2010, we borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA’s tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the ‘‘Bonds’’) maturing April 1, 2031 under a loan agreement with CEDA. The Bonds mature on April 1, 2031 and bear interest at a fixed rate of 8.50% through maturity, and include customary covenants and other restrictions on us. As per the terms of the agreement, the Bonds can be fully retired at any time. However, the bonds are subject a ’make-whole’ provision, wherein if retired prior to April 1, 2021, the Company has to ’make-whole’ the bond holders for the full amount of unpaid interest through the term of the loan. Once the make-whole provision expires in April 2021, the bonds can be retired at par value. As of January 3, 2021, the fair value of the Bonds was $30.3 million, determined by using Level 2 inputs based on quarterly market prices as reported by an independent pricing source.

Revolving Credit Facility with Credit Agricole

On October 29, 2019, we entered into a Green Revolving Credit Agreement (the ‘‘2019 Revolver’’) with Crédit Agricole Corporate and Investment Bank (“Credit Agricole’’), as lender, with a revolving credit commitment of $55.0 million. The 2019 Revolver contains affirmative covenants, events of default and repayment provisions customarily applicable to similar facilities and has a per annum commitment fee of 0.05% on the daily unutilized amount, payable quarterly. Loans under the 2019 Revolver bear either an adjusted LIBOR interest rate for the period elected for such loan or a floating interest rate of the higher of prime rate, federal funds effective rate, or LIBOR for an interest period of one month, plus an applicable margin, ranging from 0.25% to 0.60%, depending on the base interest rate applied, and each matures on the earlier of April 29, 2021, or the termination of commitments thereunder. Our payment obligations under the 2019 Revolver are guaranteed by TOTAL SE up to the maximum aggregate principal amount of $55.0 million. In consideration of the commitments of TOTAL SE, we are required to pay them a guaranty fee of 0.25% per annum on any amounts borrowed under the 2019 Revolver and to reimburse TOTAL SE for any amounts paid by them under the parent guaranty. We have pledged the equity of a wholly-owned subsidiary that holds our shares of Enphase Energy, Inc. common stock to secure our reimbursement obligation under the parent guaranty. We have also agreed to limit our ability to draw funds under the 2019 Revolver to no more than 67% of the fair market value of the common stock held by our subsidiary at the time of the draw.

As of both January 3, 2021 and December 29, 2019, we had no outstanding borrowings under the Revolver. Subsequent to the year ended January 3, 2021, we have terminated our commitments under the 2019 Revolver with Credit Agricole. Consequently, all guarantee agreements were terminated with TOTAL SE.

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

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

As of January 3, 2021, and December 29, 2019, letters of credit issued and outstanding under the Deutsche Bank Trust facility totaled $2.7 million and $3.6 million, respectively, which were fully collateralized with restricted cash on the consolidated balance sheets.

Other Facilities

Asset-Backed Loan with Bank of America

On March 29, 2019, we entered into a Loan and Security Agreement with Bank of America, N.A, which, as amended on February 12, 2021, provides a revolving credit facility secured by certain inventory and accounts receivable in the maximum aggregate principal amount of $75.0 million. The Loan and Security Agreement contains negative and affirmative covenants, events of default and repayment and prepayment provisions customarily applicable to asset-backed credit facilities. The facility bears a floating interest rate of LIBOR plus an applicable margin, and matures on the earliest of March 29, 2024, if the balance of the revolver at the time is not zero, March 1, 2021 (a date that is 91 days prior to the maturity of our 0.875% debentures due 2021), if the balance of the revolver at the time is not zero, October 15, 2022 (a date that is 91 days prior to the maturity of our 4.00% debentures due 2023), or the termination of the commitments thereunder. If we pay the full outstanding balance 91 days before the maturity of our convertible debt, and maintain the outstanding balance at zero during that period of 91 days, as well as immediately after the repayment of the 0.875% debentures due 2021 and the 4.0% debentures due 2023, respectively, then the convert maturity does not trigger the termination of the revolver. We had a balance outstanding of $32.8 million as of January 3, 2021.

SunTrust Facility

On June 28, 2018, we entered in a Financing Agreement with SunTrust Bank, which provides a revolving credit facility in the maximum aggregate principal amount of $75.0 million. Each loan drawn from the facility bears interest at either a base rate of federal funds rate plus an applicable margin or a floating interest rate of LIBOR plus an applicable margin, and matures no later than three years. As of both January 3, 2021 and December 29, 2019, we had $75.0 million in borrowing capacity under this limited recourse construction financing facility. We had not drawn any amounts under this facility as of January 3, 2021.

Non-recourse Financing and Other Debt

In order to facilitate the construction, sale or ongoing operation of certain solar projects, including our residential leasing program, we regularly obtain project-level financing. These financings are secured either by the assets of the specific project being financed or by our equity in the relevant project entity and the lenders do not have recourse to our general assets for repayment of such debt obligations, and hence the financings are referred to as non-recourse. Non-recourse financing is typically in the form of loans from third-party financial institutions, but also takes other forms, including partnership flip structures, sale-leaseback arrangements, or other forms commonly used in the solar or similar industries. We may seek non-recourse financing covering solely the construction period of the solar project or may also seek financing covering part or all of the operating life of the solar project. We classify non-recourse financings on our consolidated balance sheets in accordance with their terms; however, in certain circumstances, we may repay or refinance these financings prior to stated maturity dates in connection with the sale of the related project or similar such circumstances. As of January 3, 2021, we had $15.1 million outstanding under these financings.

We also enter other debt arrangements to finance operations. The following presents a summary of these financing arrangements, including non-recourse debt:

(In thousands)	Aggregate Carrying Value[1] January 3, 2021	December 29, 2019	Balance Sheet Classification
Non-Recourse Projects:			
Arizona loan[2]	$5,545	$6,111	Short-term debt and Long-term debt
Various construction project debt[3]	9,583	3,004	Short-term debt

1 Based on the nature of the debt arrangements included in the table above, and our intention to fully repay or transfer the obligations at their face values plus any applicable interest, we believe their carrying value materially approximates fair value, which is categorized within Level 3 of the fair value hierarchy.

2 In fiscal 2013, we entered into a financing agreement with PNC Energy Capital, LLC to finance our construction projects. Interest is calculated at a per annum rate equal to LIBOR plus 4.13%.

3 In the fourth quarter of fiscal 2019 and throughout fiscal 2020, we entered into various financing agreements with Fifth Third Bank, National Association, to finance our construction projects. The amount borrowed is non-recourse in nature and cannot exceed the total costs of the project. Each draw bears interest on the unpaid amount at a per annum rate equal to LIBOR. The loan matures at the earliest of 85 days after the project is placed in service; 9 months after the initial borrowing date; or the first anniversary of satisfaction of the closing conditions set forth by the Lenders, including the delivery of the signed loan agreement by the borrower.

Note 13. *RELATED PARTY TRANSACTIONS*

In connection with the Spin-Off, we entered into certain agreements with Maxeon Solar including the transition services agreement, supply agreement, and product collaboration agreement.

The below table summarizes our transactions with Maxeon Solar for the fiscal year ended January 3, 2021:

(In thousands)	Fiscal Year Ended January 3, 2021
Purchases of photovoltaic modules (recorded in cost of revenue)	$96,217
Research and development expenses reimbursement	$12,473
Income from transition services agreement, net	$ 6,260

We had the following balances related to transactions with Maxeon Solar as of January 3, 2021:

(In thousands)	Fiscal Year Ended January 3, 2021
Prepaid and other current assets	$ 3,486
Accrued liabilities	$ 4,634
Accounts payable	$32,591

Note 14. *INCOME TAXES*

In the year ended January 3, 2021, our income tax provision of $57.5 million on a profit from continuing operations before income taxes and equity in earnings of unconsolidated investees of $654.6 million was primarily due to state tax expenses arising from the taxable gains related to the Spin-Off transaction, withholding taxes from foreign dividend distributions, sale of equity investments, and deferred tax liability related to mark-to-market unrealized gain on equity investments. In the year ended December 29, 2019, our income tax provision of $16.5 million on a profit from continuing operations before income taxes and equity in earnings of unconsolidated investees of $191.0 million was primarily due to expenses from foreign power plant projects and tax expenses in foreign jurisdictions unrelated to Maxeon that were profitable. In the year ended December 30, 2018, our income tax provision of $2.1 million on income from continuing operations was primarily due tax expenses in foreign jurisdictions unrelated to Maxeon that were profitable.

In the year ended January 3, 2021, our income tax benefit of $3.2 million on a loss from discontinuing operations before income taxes and equity in earnings of unconsolidated investees of $125.6 million was primarily due to allocation of the state tax benefit related to discontinued operations, offset by foreign taxes in foreign jurisdictions that were profitable. In the year ended December 29, 2019, our income tax provision of $10.1 million on a loss from discontinuing operations before income taxes and equity in earnings of unconsolidated investees of $165.0 million was primarily due to tax expenses in foreign jurisdictions that were profitable. In the year ended December 30, 2018, our income tax benefit of $1.1 million for discontinued operations was primarily due to releases of valuation allowance in a foreign jurisdiction and tax reserves due to lapse of statutes of limitation offset by income tax expenses in foreign jurisdictions that were profitable.

The geographic distribution of income (loss) from continuing operations before income taxes and equity earnings (losses) of unconsolidated investees and the components of provision for income taxes are summarized below:

	Fiscal Year		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Geographic distribution of income (loss) from continuing operations before income taxes and equity in earnings of unconsolidated investees:			
U.S. income (loss)	$660,029	$139,420	$(349,880)
Non-U.S. income (loss)	(5,460)	51,588	(16,656)
Income (loss) before income taxes and equity in earnings (loss) of unconsolidated investees	$654,569	$191,008	$(366,536)
Provision for income taxes:			
Current tax benefit (expense)			
Federal	(846)	(328)	(1,155)
State	(35,383)	(370)	(553)
Foreign	(7,900)	(15,283)	1,334
Total current tax expense	(44,129)	(15,981)	(374)
Deferred tax benefit (expense)			
Federal	—	(100)	—
State	(13,716)	—	—
Foreign	296	(428)	(1,686)
Total deferred tax benefit (expense)	(13,420)	(528)	(1,686)
Benefit from (provision for) income taxes	$ (57,549)	$ (16,509)	$ (2,060)

The benefit from (provision for) for income taxes differs from the amounts obtained by applying the statutory U.S. federal tax rate to income before taxes as shown below:

	Fiscal Year		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Statutory rate	21%	21%	21%
Tax benefit (expense) at U.S. statutory rate	$(137,459)	$(40,112)	$ 76,973
Foreign rate differential	(3,694)	(5,193)	(6,588)
State income taxes, net of benefit	(43,948)	(370)	(395)
Section 956 and Subpart F	(2,431)	(4,774)	(1,516)
Tax credits (investment tax credit and other)	1,323	2,684	4,727
Change in valuation allowance	201,660	35,439	(63,520)
Unrecognized tax benefits	(6,977)	(821)	1,158
Non-controlling interest income	—	(4,482)	(22,763)
Global intangible low-taxed income (“GILTI”)	(794)	3,088	12,543
Section 163L interest	(1,189)	(1,299)	(1,432)
Maxeon Spin-Off taxable gain	(54,537)	—	—
Other, net	(9,503)	(668)	(1,247)
Total	$ (57,549)	$(16,509)	$ (2,060)

(In thousands)	As of January 3, 2021	As of December 29, 2019
Deferred tax assets:		
Net operating loss carryforwards	$ 153,931	$ 235,346
Tax credit carryforwards	49,548	52,358
Reserves and accruals	54,052	56,236
Stock-based compensation stock deductions	3,242	3,923
Basis difference on third-party project sales	68,108	58,109
Identified intangible assets	6,502	5,607
Other	1,191	17,629
Total deferred tax assets	336,574	429,208
Valuation allowance	(141,715)	(337,753)
Total deferred tax assets, net of valuation allowance	194,859	91,455
Deferred tax liabilities:		
Fixed asset basis difference	(20,691)	(20,302)
Investment in Enphase	(157,142)	(37,640)
Other	(28,257)	(30,731)
Total deferred tax liabilities	(206,090)	(88,673)
Net deferred tax asset	$ (11,231)	$ 2,782

As of January 3, 2021, we had federal net operating loss carryforwards of $498.0 million for tax purposes, of which $141.3 million was generated in fiscal 2018 and thereafter and can be carried forward indefinitely under the Tax Cuts and Job Acts of 2017 (“The Tax Act”). The remaining federal net operating loss carry forward of $356.7 million, which were generated prior to 2018, will expire at various dates from 2035 to 2037. As of January 3, 2021, we had California state net operating loss carryforwards of approximately $863.1 million for tax purposes, of which $5.2 million relate to debt issuance and will benefit equity when realized. These California net operating loss carryforwards will expire at various dates from 2029 to 2039. We also had credit carryforwards of approximately $69.9 million for federal tax purposes, of which $16.6 million relate to debt issuance and will benefit equity when realized. We had California credit carryforwards of $4.0 million for state tax purposes, which entirely relate to debt issuance and will benefit equity when realized. These federal credit carryforwards will expire at various dates from 2023 to 2040, and the California credit carryforwards do not expire. Our ability to utilize a portion of the net operating loss and credit carryforwards is dependent upon our being able to generate taxable income in future periods or being able to carryback net operating losses to prior year tax returns. Our ability to utilize net operating losses may be limited due to restrictions imposed on utilization of net operating loss and credit carryforwards under federal and state laws upon a change in ownership.

As of the end of fiscal year 2020, as part of SunPower’s continuing operations, an insignificant amount of the accumulated foreign earnings was located outside of the United States and may be subjected to foreign income tax or withholding tax liability upon repatriations. However, the accumulated foreign earnings are intended to be indefinitely reinvested in our foreign subsidiaries; therefore, no such foreign taxes have been provided. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

On June 29, 2020, the California Assembly Bill (“AB 85”) suspended the use of California net operating loss deduction and limited the maximum business incentive tax credit utilization to $5.0 million annually starting with tax years beginning on or after January 1, 2020 through December 31, 2022. In addition, states legislatures are considering limitations on tax attributes in order to raise tax revenues. As a result, our state income tax may increase if more states adopt restrictions on the use of tax attributes.

Valuation Allowance

Our valuation allowance is related to deferred tax assets in the United States and Mexico was determined by assessing both positive and negative evidence. When determining whether it is more likely than not that deferred assets are recoverable, with such assessment being required on a jurisdiction by jurisdiction basis, we believe that sufficient uncertainty exists with regard to the realizability of these assets such that a valuation allowance is necessary. Factors considered in providing a valuation allowance include the lack of a significant history of consistent profits, the lack of consistent profitability in the solar industry, the limited capacity of carrybacks to realize these assets, and other factors. Based on the absence of sufficient positive objective evidence, we are unable to assert that it is more likely than not that we will generate sufficient taxable income to realize the U.S. net deferred tax assets aside from the state net operating losses that can be carried back to prior year tax returns. Should we achieve a certain level of profitability in the future, we may be in a position to reverse the valuation allowance which would result in a non-cash income statement benefit. The change in valuation allowance for continuing operations for fiscal 2020 and 2019 was $196.0 million and $33.1 million, respectively.

Unrecognized Tax Benefits

Current accounting guidance contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for continuing operations during fiscal 2020, 2019, and 2018 is as follows:

	Fiscal Year		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Balance, beginning of year	$73,439	71,765	72,448
Additions for tax positions related to the current year	15,179	137	207
Additions for tax positions from prior years	41	1,624	451
Reductions for tax positions from prior years/statute of limitations expirations	(1,634)	(28)	(1,339)
Foreign exchange (gain) loss	(72)	(59)	(2)
Balance at the end of the period	$86,953	$73,439	$71,765

Included in the unrecognized tax benefits at fiscal 2020 and 2019 for continuing operations is $16.3 million and $5.2 million, respectively, that if recognized, would result in a reduction of our effective tax rate. The amounts differ from the long-term liability recorded of $12.6 million and $7.2 million as of fiscal 2020 and 2019, respectively, primarily due to California marked to market deferred tax liability for fiscal 2020, and accrued interest & penalties for fiscal 2019.

We believe that events that could occur in the next 12 months and cause a change in unrecognized tax benefits include, but are not limited to, the following:

- commencement, continuation or completion of examinations of our tax returns by the U.S. or foreign taxing authorities; and
- expiration of statutes of limitation on our tax returns.

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. Uncertainties include, but are not limited to, the impact of legislative, regulatory, and judicial developments, transfer pricing and the application of withholding taxes. We regularly assess our tax positions in light of legislative, bilateral tax treaty, regulatory, and judicial developments in the countries in which we do business. We determined that an estimate of the range of reasonably possible change in the amounts of unrecognized tax benefits within the next 12 months cannot be made.

Classification of Interests and Penalties

We accrue interest and penalties on tax contingencies and classify them as "provision for income taxes" in our consolidated statements of operations. Accrued interest as of January 3, 2021 and December 29, 2019 was approximately $2.4 million and $2.0 million, respectively. Accrued penalties were not material for any of the periods presented.

Tax Years and Examination

We file tax returns in each jurisdiction in which we are registered to do business. In the United States and many of the state jurisdictions, and in many foreign countries in which we file tax returns, a statute of limitations period exists. After a statute of limitations period expires, the respective tax authorities may no longer assess additional income tax for the expired period. Similarly, we are no longer eligible to file claims for refund for any tax that we may have overpaid. The following table summarizes our major tax jurisdictions and the tax years that remain subject to examination by these jurisdictions as of January 3, 2021:

Tax Jurisdictions	Tax Years
United States	2010 and onward
California	2002 and onward
Philippines	2011 and onward

Additionally, certain pre-2010 U.S. corporate tax returns and pre-2002 California tax returns are not open for assessment, but the tax authorities can adjust net operating loss and credit carryovers that were generated.

We are under tax examinations in various jurisdictions. We do not expect the examinations to result in a material assessment outside of existing reserves. If a material assessment in excess of current reserves results, the amount that the assessment exceeds current reserves will be a current period charge to earnings.

Note 15. *COMMON STOCK*

Common Stock

Voting Rights - Common Stock

All common stockholders are entitled to one vote per share on all matters submitted to be voted on by our stockholders, subject to the preferences applicable to any preferred stock outstanding.

Dividends - Common Stock

All common stockholders are entitled to receive equal per share dividends when and if declared by the Board of Directors, subject to the preferences applicable to any preferred stock outstanding. Certain of our debt agreements place restrictions on us and our subsidiaries' ability to pay cash dividends.

Shares Reserved for Future Issuance Under Equity Compensation Plans

We had shares of common stock reserved for future issuance as follows:

(In thousands)	January 3, 2021	December 29, 2019
Equity compensation plans	17,953	12,117

Note 16. *NET INCOME (LOSS) PER SHARE*

We calculate basic net income (loss) per share by dividing earnings allocated to common stockholders by the basic weighted-average number of common shares outstanding for the period.

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

ASC 260 requires that companies use income from continuing operations as a "control number" or benchmark to determine whether potential common shares are dilutive or antidilutive. When calculating discontinued operations, we used the same number of potential common shares used in computing the diluted per-share amount of income from continuing operations in computing all other reported diluted per-share amounts, even if the effect will be antidilutive compared to their respective basic per-share amounts.

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

(In thousands, except per share amounts)	Fiscal Year Ended January 3, 2021	December 29, 2019	December 30, 2018
Basic net income (loss) per share:			
Numerator:			
Net income attributable to stockholders - continuing operations	$ 599,355	$ 206,820	$(277,329)
Net loss attributable to stockholders - discontinued operations	(124,307)	(184,661)	(533,762)
Net income (loss) attributable to stockholders	$ 475,048	$ 22,159	$(811,091)
Denominator:			
Basic weighted-average common shares	169,801	144,796	140,825
Basic net income per share - continuing operations	$ 3.53	$ 1.43	$ (1.97)
Basic net loss per share - discontinued operations	(0.73)	(1.28)	(3.79)
Basic net income (loss) per share	$ 2.80	$ 0.15	$ (5.76)
Diluted net income (loss) per share[1]:			
Numerator:			
Net income attributable to stockholders - continuing operations	$ 599,355	$ 206,820	$(277,329)
Add: Interest expense on 4.00% debentures due 2023, net of tax	12,499	13,430	—
Add: Interest expense on 0.875% debentures due 2021, net of tax	1,824	2,765	—
Net income available to common stockholders - continuing operations	613,678	223,015	(277,329)
Net loss available to common stockholders - discontinued operations	$(124,307)	$(184,661)	$(533,762)
Denominator:			
Basic weighted-average common shares	169,801	144,796	140,825
Effect of dilutive securities:			
Restricted stock units	318	2,729	—
0.875% debentures due 2021	10,055	8,203	—
4.00% debentures due 2023	17,068	13,922	—
Dilutive weighted-average common shares:	197,242	169,650	140,825
Dilutive net income per share - continuing operations	$ 3.11	$ 1.31	$ (1.97)
Dilutive net loss per share - discontinued operations	(0.63)	(1.09)	(3.79)
Dilutive net income (loss) per share	$ 2.48	$ 0.22	$ (5.76)

1 As a result of our net loss attributable to stockholders for fiscal 2018, the inclusion of all potentially dilutive stock options, restricted stock units, and common shares under noted warrants and convertible debt would be anti-dilutive. Therefore, those stock options, restricted stock units and shares were excluded from the computation of the weighted-average shares for diluted net loss per share for such periods.

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

(In thousands)	Fiscal Year Ended January 3, 2021	December 29, 2019	December 30, 2018
Restricted stock units	3,250	929	5,699
Upfront warrants (held by Total)	—	—	9,532
4.00% debentures due 2023	—	—	13,922
0.75% debentures due 2018	—	—	4,975
0.875% debentures due 2021	—	—	8,203

Note 17. *STOCK-BASED COMPENSATION*

The following table summarizes the consolidated stock-based compensation expense by line item in our consolidated statements of operations:

	Fiscal Year Ended		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Cost of revenue	$ 3,113	$ 2,740	$ 2,390
Research and development	1,480	1,319	2,978
Sales, general, and administrative	14,961	15,741	14,268
Total stock-based compensation expense	$19,554	$19,800	$19,636

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

	Fiscal Year Ended		
(In thousands)	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Restricted stock units	$19,087	$20,155	$19,564
Change in stock-based compensation capitalized in inventory	467	(355)	72
Total stock-based compensation expense	$19,554	$19,800	$19,636

As of January 3, 2021, the total unrecognized stock-based compensation related to outstanding restricted stock units was $37.4 million, which we expect to recognize over a weighted-average period of 2.4 years.

On August 26, 2020, we completed the spin-off (the "Spin-off") of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares ("Maxeon Solar"), by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock as of the close of business on August 17, 2020. Each SunPower shareholder received one Maxeon Solar share for every eight SunPower shares such shareholder held as of the close of business on August 17, 2020, and cash in lieu of any fractional Maxeon Solar shares.

In connection with the Spin-Off of Maxeon Solar and in accordance with the employee matters agreement we entered into with Maxeon Solar, we made certain adjustments to the unvested restricted stock-based compensation awards with the intention of preserving the intrinsic value of the awards prior to the Spin-Off. Unvested restricted stock unit awards and performance-contingent awards have been adjusted to provide holders with restricted stock units awards and performance-contingent awards in the company that employs such employee following the Spin-Off. Consequently, all outstanding restricted stock awards and stock options for employees transferred to Maxeon Solar were cancelled upon the Spin-Off.

The modification resulted in an additional grant of shares to the employees of SunPower, with no changes to other terms of the original grant. This resulted in an incremental compensation charge of $3.9 million to be recognized over the remaining term of the original grant.

Equity Incentive Programs

Stock-based Incentive Plans

During fiscal 2019, SunPower had one stock incentive plan: the SunPower Corporation 2015 Omnibus Incentive Plan ("2015 Plan"). The 2015 Plan was adopted by our Board of Directors in February 2015 and was approved by stockholders in June 2015. The 2015 Plan allows for the grant of options, as well as grant of stock appreciation rights, restricted stock grants, restricted stock units, and other equity rights. The 2015 Plan also allows for tax withholding obligations related to stock option exercises or restricted stock awards to be satisfied through the retention of shares otherwise released upon vesting.

The 2015 Plan includes an automatic annual increase mechanism equal to the lower of three percent of the outstanding shares of all classes of our common stock measured on the last day of the immediately preceding fiscal year, 6 million shares, or such other number of shares as determined by our Board of Directors. In fiscal 2015, our Board of Directors voted to reduce the stock incentive plan's automatic increase from 3% to 2% for 2016. As of January 3, 2021, approximately 18.0 million shares were available for grant under the 2015 Plan.

Incentive stock options, nonstatutory stock options, and stock appreciation rights may be granted at no less than the fair value of the common stock on the date of grant. The options and rights become exercisable when and as determined by our Board of Directors, although these terms generally do not exceed ten years for stock options. We have not granted stock options since fiscal 2008. All previously granted stock options have been exercised or expired and accordingly no options remain outstanding. Under the 2015 Plan, the restricted stock grants and restricted stock units typically vest in equal installments annually over three or four years.

The majority of shares issued are net of the minimum statutory withholding requirements that we pay on behalf of our employees. During fiscal 2020, 2019, and 2018, we withheld 1.3 million, 0.8 million, and 0.7 million shares, respectively, to satisfy the employees' tax obligations. We have typically paid for such withholding requirements in cash to the appropriate taxing authorities. Shares withheld are treated as common stock repurchases for accounting and disclosure purposes and reduce the number of shares outstanding upon vesting.

Restricted Stock Units and Stock Options

The following table summarizes our non-vested restricted stock units' activities:

	Restricted Stock Units	
	Shares (in thousands)	Weighted-Average Grant Date Fair Value Per Share[1]
Outstanding as of December 30, 2018	7,660	$ 9.11
Granted	5,430	6.82
Vested[2]	(2,460)	9.65
Forfeited	(1,304)	8.28
Outstanding as of December 29, 2019	9,326	7.75
Granted	12,797	11.10
Vested[2]	(3,596)	9.88
Forfeited	(11,360)	7.07
Outstanding as of January 3, 2021	7,167	$13.75

1 We estimate the fair value of our restricted stock awards and units at our stock price on the grant date.

2 Vested restricted stock awards include shares withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

Note 18. *SEGMENT AND GEOGRAPHICAL INFORMATION*

In the third quarter of fiscal 2020, and concurrent with the Spin-Off of the majority of our former SunPower Technologies segment, we reorganized our business into new segments to align our focus on the U.S. downstream DG market and new business model driven by financial offerings, solar energy systems storage, solutions and software services. Previously, we operated under two end-customer segments, comprised of our (i) SunPower Energy Services, and (ii) SunPower Technologies. The SunPower Energy Services segment referred to our downstream business consisting of sales of solar energy solutions to residential and commercial end-customers, and the SunPower Technologies segment referred to global manufacturing and our large-scale solar products and systems and international component sales.

Under the new segmentation, Residential, Light Commercial (''RLC'') refers to sales of solar energy solutions previously included in the legacy SunPower Energy Services segment, including sales to our third-party dealer network and resellers, storage solutions, cash and loan sales and long-term leases directly to end customers. The Commercial and Industrial Solutions segment (''C&I Solutions'') refers to direct sales of turn-key engineering, procurement and construction (''EPC'') services, and sales of energy under power purchase agreements (''PPAs''). Certain legacy businesses consisting of worldwide power plant project development and project sales which we are winding down, as well as U.S. manufacturing, are not significant to overall operations, and are deemed non-core to our other businesses and classified as ''Others.'' Certain key cross-functional support functions and responsibilities including corporate strategy, treasury, tax and accounting support and services, among others, continue to be centrally managed within the Corporate function.

Each segment is managed by a business general manager that reports to our Chief Executive Officer, as the chief operating decision maker ("CODM"), who reviews our business, manages resource allocations and measures performance of our activities between the RLC, C&I Solutions, and Other segments. The CODM further views the business performance of each segment under two key sources of revenue - Dev Co and Power Co. Dev Co refers to our solar origination and installation revenue stream within each segment such as sale of solar power systems with our dealers and resellers network as well as installation and EPC revenues while Power Co refers to our post-system sale recurring services revenues, mainly from, asset management services and O&M services through our SunStrong partnership dealer services for RLC and our commercial dealer network for C&I. The risk profile each of the revenue stream is different and therefore, the segregation of Dev Co and Power Co provides the CODM with appropriate information to review business performance and allocate resources to each segment.

Reclassifications of prior period segment information have been made to conform to the current period presentation.

One customer accounted for approximately 18% and 10% of total revenue primarily in our Residential, Light Commercial segment for the year ended January 3, 2021 and December 29, 2019, respectively. We did not have customers that accounted for greater than 10% of our total revenue in the years ended December 30, 2018.

Adjustments Made for Segment Purposes

Adjustments Based on International Financial Reporting Standards ("IFRS")

8point3 Energy Partners

We included adjustments related to the sales of projects contributed to 8point3 based on the difference between the fair value of the consideration received and the net carrying value of the projects contributed, of which, a portion was deferred in proportion to our retained equity stake in 8point3. The deferred profit was subsequently recognized over time. Under GAAP, these sales were recognized under either real estate, lease, or consolidation accounting guidance depending upon the nature of the individual asset contributed, with outcomes ranging from no, partial, or full profit recognition. Under IFRS, profit was recognized on sales related to the residential lease portfolio, while for other projects sold, profit was deferred until these projects reached commercial operations. Equity in earnings of unconsolidated investees also included the impact of our share of 8point3's earnings related to sales of projects receiving sales recognition under IFRS but not GAAP. On June 19, 2018, we sold our equity interest in the 8point3 Group.

Legacy utility and power plant projects

We included adjustments related to the revenue recognition of certain utility and power plant projects based on percentage-of-completion accounting and, when relevant, the allocation of revenue and margin to our project development efforts at the time of initial project sale. Under IFRS, such projects are accounted for when the customer obtains control of the promised goods or services which generally results in earlier recognition of revenue and profit than U.S. GAAP. Over the life of each project, cumulative revenue and gross margin will eventually be equivalent under both U.S. GAAP and IFRS; however, revenue and gross margin will generally be recognized earlier under IFRS.

Legacy sale-leaseback transactions

We included adjustments related to the revenue recognition on certain legacy sale-leaseback transactions entered into before December 31, 2018, based on the net proceeds received from the buyer-lessor. Under U.S. GAAP, these transactions were accounted for under the financing method in accordance with the applicable accounting guidance. Under such guidance, no revenue or profit is recognized at the inception of the transaction, and the net proceeds from the buyer-lessor are recorded as a financing liability. Imputed interest is recorded on the liability equal to our incremental borrowing rate adjusted solely to prevent negative amortization. Under IFRS, such revenue and profit are recognized at the time of sale to the buyer-lessor if certain criteria are met. Upon adoption of IFRS 16, *Leases*, on December 31, 2018, IFRS is aligned with U.S. GAAP.

Mark-to-market gain (loss) on equity investments

We recognize adjustments related to the fair value of equity investments with readily determinable fair value based on the changes in the stock price of these equity investments at every reporting period. Under U.S. GAAP, mark-to-market gains and losses due to changes in stock prices for these securities are recorded in earnings while under IFRS, an election can be made to recognize such gains and losses in other comprehensive income. Such an election was made by TOTAL SE. Further, we elected the Fair Value Option (''FVO'') for some of our equity investments, and we adjust the carrying value of those investments based on their fair market value calculated periodically. Such option is not available under IFRS, and equity method accounting is required for those investments. Management believes that excluding these adjustments on equity investments is consistent with our internal reporting process as part of our status as a consolidated subsidiary of TOTAL SE and better reflects our ongoing results.

Other Adjustments

Intersegment gross margin

Our U.S. manufacturing operations that are part of the Others segment manufacture and sell solar modules to both operating segments, RLC and C&I Solutions, based on transfer prices determined based on management's assessment of market-based pricing terms. Such intersegment sales and related costs are eliminated at the corporate level to derive our consolidated financial results.

Gain/loss on sale and impairment of residential lease assets

In fiscal 2018 and 2019, in an effort to sell all the residential lease assets owned by us, we sold membership units representing a 49% membership interest in our residential lease business and retained a 51% membership interest. The loss on divestment, including adjustments to contingent consideration shortly after the closing of the transaction, and the remaining unsold residential lease assets impairment with its corresponding depreciation savings are excluded from our non-GAAP results as they are non-recurring in nature and cash in nature and not reflective of ongoing operating results. Additionally, in the third quarter of fiscal 2019, in continuation with our intention to sell all the residential lease assets owned by us, we sold the remainder of residential lease assets still owned by us, that were not previously sold. Gain/loss from such activity is excluded from our non-GAAP results as it is non-cash in nature and not reflective of ongoing operating results.

Construction revenue on solar services contracts

Upon adoption of ASC 842 in the first quarter of fiscal 2019, revenue and cost of revenue on solar services contracts with residential customers are recognized ratably over the term of those contracts, beginning when the projects are placed in service. For segment reporting purposes, we recognize revenue and cost of revenue upfront based on the expected cash proceeds to align with the legacy lease accounting guidance. We believe it is appropriate to recognize revenue and cost of revenue upfront based on total expected cash proceeds as it better reflects our ongoing results as such method aligns revenue and costs incurred most accurately in the same period. Starting in the second quarter of fiscal 2020, we no longer had this non-GAAP measure.

Stock-based compensation

Stock-based compensation relates primarily to our equity incentive awards. Stock-based compensation is a non-cash expense that is dependent on market forces that are difficult to predict. We believe that this adjustment for stock-based compensation provides investors with a basis to measure our core performance, including the ability to compare our performance with the performance of other companies, without the period-to-period variability created by stock-based compensation.

Amortization of intangible assets

We incur amortization of intangible assets as a result of acquisitions, which includes patents, purchased technology, project pipeline assets, and in-process research and development. We believe that it is appropriate to exclude these amortization charges from our non-GAAP financial measures as they arise from prior acquisitions, are not reflective of ongoing operating results, and do not contribute to a meaningful evaluation of our past operating performance.

Business process improvements

During the second quarter of fiscal 2019, we initiated a project to improve our manufacturing and related processes to improve gross margin in coming years and engaged third-party experts to consult on business process improvements. Management believes it is appropriate to exclude these consulting expenses from our non-GAAP financial measures as they are non-recurring in nature and are not reflective of our ongoing operating results.

Gain on business divestiture

In fiscal 2019, we entered into a transaction pursuant to which we sold membership interest in certain of our subsidiaries that own leasehold interests in projects subject to sale-leaseback financing arrangements. In the second quarter of fiscal 2020, we sold our Operations and Maintenance services contracts. We recognized a gain relating to this business divestiture. We believe that it is appropriate to exclude this gain from our segment results as it is not reflective of ongoing operating results.

Transaction-related costs

In connection with material transactions such as acquisition or divestiture of a business, we incur transaction costs including legal and accounting fees. We believe that it is appropriate to exclude these costs from our segment results as they would not have otherwise been incurred as part of our business operations and are therefore not reflective of ongoing operating results.

Non-cash interest expense

We incur non-cash interest expense related to the amortization of items such as original issuance discounts on our debt. We exclude non-cash interest expense because the expense does not reflect our financial results in the period incurred. We believe that this adjustment for non-cash interest expense provides investors with a basis to evaluate our performance, including compared with the performance of other companies, without non-cash interest expense.

Restructuring expenses

We incur restructuring expenses related to reorganization plans aimed towards realigning resources consistent with our global strategy and improving our overall operating efficiency and cost structure. Although we have engaged in restructuring activities in the past, each has been a discrete event based on a unique set of business objectives. We believe that it is appropriate to exclude these from our non-GAAP results as they are not reflective of ongoing operating results.

Litigation

We may be involved in various instances of litigation, claims and proceedings that result in payments or recoveries. We exclude gains or losses associated with such events because the gains or losses do not reflect our underlying financial results in the period incurred. We also exclude all expenses pertaining to litigations over businesses that discontinued as a result of spin-off of Maxeon Solar, for which we are indemnifying them. We believe that it is appropriate to exclude these from our non-GAAP results as they are not reflective of ongoing operating results.

Gain on convertible notes repurchased

In connection with the early repurchase of aggregate principal amount of our 0.875% debentures due 2021, we recognized a gain, which represented the difference between the book value of the convertible debentures, net of the remaining unamortized discount prior to repurchase and the reacquisition price of the convertible notes upon repurchase. We believe that it is appropriate to exclude this gain from our non-GAAP results as it is not reflective of our ongoing operating results.

Segment and Geographical Information

The following tables present segment results for fiscal 2020, 2019, and 2018 for revenue, gross margin, and adjusted EBITDA, each as reviewed by the CODM, and their reconciliation to our consolidated GAAP results, as well as information about significant customers and revenue by geography based on the destination of the shipments, and property, plant, and equipment, net by segment.

	Fiscal Year Ended								
	January 3, 2021			December 29, 2019			December 30, 2018		
(In thousands):	Residential, Light Commercial	Commercial and Industrial Solutions	Others	Residential, Light Commercial	Commercial and Industrial Solutions	Others	Residential, Light Commercial	Commercial and Industrial Solutions	Others
Revenue from external customers:									
Dev Co	$824,065	$241,881	$ 6,527	$852,293	$211,495	$ 72,018	$788,765	$263,552	$149,510
Power Co	24,008	12,930	20,603	11,560	31,816	40,884	—	49,096	40,237
Intersegment revenue	—	—	38,444	—	—	43,713	—	—	—
Total segment revenue as reviewed by CODM	$848,073	$254,811	$ 65,574	$863,853	$243,311	$156,615	$788,765	$312,648	$189,747
Segment gross profit as reviewed by CODM	$156,083	$ 28,666	$(24,206)	$108,733	$ 7,147	$ 39,569	$130,317	$ 17,150	$ (12,480)
Adjusted EBITDA	$ 67,228	$ 6,640	$(23,981)	$ 37,783	$ (35,095)	$ 56,484	$169,071	$ (12,427)	$ (3,259)

Reconciliation of Segment Revenue to Consolidated GAAP Revenue	Fiscal Year Ended		
(In thousands):	January 3, 2021	December 29, 2019	December 30, 2018
Total segment revenue as reviewed by CODM	$1,168,458	$1,263,779	$1,291,160
Adjustments to segment revenue:			
Intersegment elimination	(38,444)	(43,713)	—
8point3 Energy Partners	—	—	8,588
Legacy utility and power plant projects	207	259	4,145
Legacy sale-leaseback transactions	—	45	(101,582)
Construction revenue on solar services contracts	(5,392)	(128,144)	—
Consolidated GAAP revenue	$1,124,829	$1,092,226	$1,202,311

Reconciliation of Segment Gross Profit to Consolidated GAAP Gross Profit	Fiscal Year Ended		
(In thousands):	January 3, 2021	December 29, 2019	December 30, 2018
Segment gross profit	$160,543	$155,449	$134,987
Adjustments to segment gross profit:			
Intersegment elimination	17,366	32,808	—
8point3 Energy Partners	—	—	8,337
Legacy utility and power plant projects	34	(993)	1,244
Legacy sale-leaseback transactions	(20)	4,763	(242)
Impairment of property, plant and equipment	(567)	—	(1,186)
Construction revenue on solar services contracts	(4,734)	(20,018)	—
Loss on sale and impairment of residential lease assets	1,860	1,703	14,846
Litigation	—	(709)	—
Stock-based compensation expense	(2,612)	(2,390)	(2,369)
Restructuring charges	12	—	—
Amortization of intangible assets	(4,755)	(7,135)	(7,120)
Consolidated GAAP gross profit	$167,127	$163,478	$148,497

Reconciliation of Segments EBITDA to Loss before income taxes and equity in earnings (losses) of unconsolidated investees	**Fiscal Year Ended**		
(In thousands):	**January 3, 2021**	**December 29, 2019**	**December 30, 2018**
Segment adjusted EBITDA	$ 49,887	$ 59,172	$ 153,385
Adjustments to segment adjusted EBITDA:			
8point3	—	—	8,485
Legacy utility and power plant projects	34	(993)	1,244
Legacy sale-leaseback transactions	(20)	(5,680)	(18,802)
Unrealized loss on equity securities	690,818	156,345	(6,375)
Impairment of property, plant, and equipment, and equity method investment	(567)	—	(13,682)
Construction revenue on solar services contracts	(4,734)	7,012	—
Loss on sale and impairment of residential lease assets	1,815	(25,636)	(227,507)
Litigation	(4,530)	(714)	—
Stock-based compensation expense	(19,554)	(19,800)	(19,635)
Amortization of intangible assets	(4,759)	(7,135)	(7,120)
Gain on business divestiture	10,476	143,400	59,347
Acquisition-related and other costs	(2,040)	(5,294)	(17,727)
Business reorganization costs	(1,537)	—	—
Gain on convertible debt repurchased	2,520	—	—
Restructuring charges	(2,592)	(14,110)	(5,113)
Non-cash interest expense	—	(3)	(68)
Equity in losses of unconsolidated investees	—	1,716	14,872
Net loss attributable to noncontrolling interests	(2,335)	(34,037)	(106,139)
Cash interest expense, net of interest income	(32,452)	(33,954)	(86,394)
Depreciation and amortization	(16,108)	(29,047)	(53,768)
Corporate	(9,753)	(234)	(41,539)
Income (loss) before income taxes and equity in loss of unconsolidated investees	$654,569	$191,008	$(366,536)

NOTE 19. *SUBSEQUENT EVENTS*

On January 7, 2021, we announced the closure of our manufacturing facility in Hillsboro, Oregon. We are taking steps to cease operations by first quarter of fiscal 2021 and complete the wind-down of the facility in early June while simultaneously looking into other options. These include selling the plant, exploring a joint venture option, or assessing potential partnerships. The decision will impact approximately 170 employees working at the facility, and we plan to provide all impacted employees with comprehensive separation packages, including severance, work transition assistance and six months of COBRA for continuation of health insurance coverage. We also plan to source and present open positions from other area employers, host a virtual job fair to assist in securing new employment, and encourage employees to apply for open positions at SunPower if they are willing to relocate.

SELECTED UNAUDITED QUARTERLY FINANCIAL DATA

Consolidated Statements of Operations:

(In thousands, except per share data)	Three Months Ended January 3, 2021	September 27, 2020	June 28, 2020	March 29, 2020	December 29, 2019	September 29, 2019	June 30, 2019	March 31, 2019
Revenue	$341,810	$274,806	$217,667	$290,546	$401,617	$286,042	$225,237	$ 179,330
Gross margin	$ 75,151	$ 37,140	$ 25,652	$ 29,184	$ 86,074	$ 45,495	$ 26,149	$ 5,760
Net income (loss) from continuing operations	$412,652	$109,680	$ 54,527	$ 20,161	$ 46,798	$ 13,466	$149,578	$ (37,059)
Net loss from discontinued operations	$ —	$ (64,566)	$ (36,129)	$ (22,299)	$ (40,820)	$ (32,674)	$ (39,504)	$ (67,506)
Net income (loss)	$412,652	$ 45,114	$ 18,398	$ (2,138)	$ 5,978	$ (19,208)	$110,074	$(104,565)
Net income (loss) from continuing operations attributable to stockholders	$412,475	$109,450	$ 55,890	$ 21,540	$ 47,361	$ 18,644	$162,024	$ (21,209)
Net loss from discontinued operations attributable to stockholders	$ —	$ (64,824)	$ (36,512)	$ (22,971)	$ (41,920)	$ (33,661)	$ (40,565)	$ (68,515)
Net income (loss) attributable to stockholders	$412,475	$ 44,626	$ 19,378	$ (1,431)	$ 5,441	$ (15,017)	$121,459	$ (89,724)
Net income (loss) per share attributable to stockholders - basic								
Continuing operations	$ 2.42	$ 0.64	$ 0.33	$ 0.13	$ 0.31	$ 0.13	$ 1.14	$ (0.15)
Discontinued operations	—	(0.38)	(0.21)	(0.14)	(0.27)	(0.24)	(0.28)	(0.48)
Net income (loss) per share - basic	2.42	0.26	0.11	(0.01)	0.04	(0.11)	0.86	(0.63)
Net income (loss) per share attributable to stockholders - diluted								
Continuing operations	$ 2.08	$ 0.57	$ 0.31	$ 0.12	$ 0.29	$ 0.12	$ 1.00	$ (0.15)
Discontinued operations	—	(0.33)	(0.19)	(0.13)	(0.24)	(0.22)	(0.24)	(0.48)
Net income (loss) per share - diluted	2.08	0.24	0.12	(0.01)	0.05	(0.10)	0.76	(0.63)

ITEM 9: *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES*

None.

ITEM 9A: *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 3, 2021 at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (''COSO''). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of January 3, 2021 based on the criteria described in Internal Control-Integrated Framework issued by COSO. Management reviewed the results of its assessment with our Audit Committee.

The effectiveness of the Company's internal control over financial reporting as of January 3, 2021 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

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

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

ITEM 9B: *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2021 annual meeting of stockholders.

We have adopted a code of ethics, titled Code of Business Conduct and Ethics, that applies to all of our directors, officers, and employees, including our principal executive officer, principal financial officer, and principal accounting officer. We have made it available, free of charge, on our website at www.sunpower.com, and if we amend it or grant any waiver under it that applies to our principal executive officer, principal financial officer, or principal accounting officer, we will promptly post that amendment or waiver on our website.

ITEM 11: *EXECUTIVE COMPENSATION*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2021 annual meeting of stockholders.

ITEM 12: *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2021 annual meeting of stockholders.

ITEM 13: *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2021 annual meeting of stockholders.

ITEM 14: *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

Information appearing under this Item is incorporated herein by reference to our proxy statement for the 2021 annual meeting of stockholders.

PART IV

ITEM 15: *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

The following documents are filed as a part of this Annual Report on Form 10-K filed with the Securities and Exchange Commission:

1. *Financial Statements:*

2. *Financial Statement Schedule:*

All financial statement schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

3. *Exhibits:*

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated November 8, 2019, by and between SunPower Corporation and Maxeon Solar Technologies, Ltd. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 12, 2019)
3.1	Restated Certificate of Incorporation of SunPower Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2011).
3.2	Amended and Restated By-Laws of SunPower Corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017).
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
4.2	Certificate of Designation of Series A Junior Participating Preferred Stock of SunPower Corporation (incorporated by reference to Exhibit 4.6 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2011).
4.3	Indenture, dated as of December 15, 2015 by and between SunPower Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2015).
4.4	Indenture, dated as of June 11, 2014 by and between SunPower Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 11, 2014).
4.6	Indenture, dated as of July 17, 2020, between Maxeon Solar Technologies, Ltd. and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
4.7	Form of Global Note, representing Maxeon Solar Technologies, Ltd.'s 6.50% Green Convertible Senior Notes due 2025 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
4.8*	Description of securities registered under Section 12 of the Securities Exchange Act (Regulation S-K, Item 601(b)(4)(vi) and accompanying instructions)
10.1	Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated June 29, 2016 by and among the Company, Deutsche Bank AG New York Branch, and Deutsche Bank Trust Company Americas (incorporated by reference to Exhibit 10.63 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.2	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (incorporated by reference to Exhibit 10.64 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.3	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.65 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).

Exhibit Number	Description
10.4	Letter of Credit Facility Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., the Subsidiary Applicants party thereto, and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.66 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 10, 2016).
10.5	Transfer Agreement, dated June 29, 2016, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch as administrative agent, and the Banks party thereto (incorporated by reference to Exhibit 10.67 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2016).
10.6	Affiliation Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 99.6 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.7	Amendment to Affiliation Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).
10.8	Second Amendment to Affiliation Agreement, dated December 23, 2011, by and between Total G&P and SunPower Corporation (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2011).
10.9	Amendment No. 3 to Affiliation Agreement, dated February 28, 2012, by and between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.91 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.10	Amendment No. 4 to Affiliation Agreement, dated August 10, 2012, by and between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2012).
10.11	Affiliation Agreement Guaranty, dated April 28, 2011, between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 99.7 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2011).
10.12^	SunPower Corporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-205207), filed with the Securities and Exchange Commission on June 25, 2015).
10.13^	Forms of agreements under SunPower Corporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.60 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 6, 2016).
10.14^	Outside Director Compensation Policy, as amended on July 22, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.15^	Form of Employment Agreement for Executive Officers (incorporated by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2014).
10.16^	SunPower Corporation Annual Executive Bonus Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 30, 2014).
10.17^	SunPower Corporation Executive Semi-Annual Bonus Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 30, 2014).
10.18^	Form of Indemnification Agreement for Directors and Officers (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 19, 2016).

Exhibit Number	Description
10.19^	2016 Management Career Transition Plan, dated August 10, 2015 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.20†	Mortgage Loan Agreement, dated May 6, 2010, by and among SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 13, 2010).
10.21	Guarantee Agreement, dated May 6, 2010, by and between SunPower Corporation and International Finance Corporation (incorporated by reference to Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 13, 2010).
10.22	Amendment No. 1 to Loan Agreement, dated November 2, 2010, by and between SunPower Philippines Manufacturing Ltd. and International Finance Corporation (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2011).
10.23	Mortgage Supplement No. 1, dated November 3, 2010, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.63 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.24	Mortgage Supplement No. 2, dated October 9, 2012, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.64 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.25	Mortgage Supplement No. 3, dated February 7, 2013, by and between SunPower Philippines Manufacturing Ltd., SPML Land, Inc. and International Finance Corporation (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2013).
10.26	Loan Agreement, dated December 1, 2010, by and among California Enterprise Development Authority and SunPower Corporation, relating to $30,000,000 California Enterprise Development Authority Tax Exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (incorporated by reference to Exhibit 10.50 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2011).
10.27	First Supplement to Loan Agreement, dated June 1, 2011, by and between California Enterprise Development Authority and SunPower Corporation, relating to $30,000,000 California Enterprise Development Authority Tax Exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2011).
10.28†	Letter of Credit Facility Agreement, dated August 9, 2011, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.29†	First Amendment to Letter of Credit Facility Agreement, dated December 20, 2011, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.65 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).

Exhibit Number	Description
10.30	Second Amendment to Letter of Credit Facility Agreement, dated December 19, 2012, by and among SunPower Corporation, Total S.A., the Subsidiary Applicants party thereto, the Banks party thereto, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.69 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2013).
10.31	Third Amendment to Letter of Credit Facility Agreement, dated December 20, 2013, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2014).
10.32	Fourth Amendment to Letter of Credit Facility Agreement, dated December 23, 2014, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.66 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2015).
10.33	Fifth Amendment to Letter of Credit Facility Agreement, dated October 7, 2015, by and among SunPower Corporation, SunPower Corporation, Systems, Total S.A., Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-Q filed with the Securities and Exchange Commission on October 29, 2015).
10.34	Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated September 27, 2011, by and among SunPower Corporation, Deutsche Bank Trust Company Americas, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.35	Security Agreement, dated September 27, 2011, by and among SunPower Corporation, Deutsche Bank Trust Company Americas, and Deutsche Bank AG New York Branch (incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2011).
10.36	License and Technology Agreement, dated July 5, 2010, by and among SunPower Technology, Ltd., AU Optronics Singapore Pte. Ltd. and AUO SunPower Sdn. Bhd. (now known as SunPower Malaysia Manufacturing Sdn. Bhd.) (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 12, 2010).
10.37	Compensation and Funding Agreement, dated February 28, 2012, by and between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.90 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012).
10.38	Amendment No. 1 to Compensation and Funding Agreement, dated August 10, 2012, by and between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2012).
10.39	Purchase and Sale Agreement, dated as of November 5, 2018, by and between SunPower Corporation and HA SunStrong Capital LLC (incorporated by reference to Exhibit 10.1 to the Registrants Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2018).
10.40†	Master Supply Agreement, dated as of August 9, 2018, by and between SunPower Corporation and Enphase Energy, Inc. (incorporated by reference to Exhibit 99.1 to Amendment No. 1 of Enphase Energy, Inc.'s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on October 23, 2018).
10.41†	Amendment No. 1 to Master Supply Agreement, dated as of December 10, 2018, by and between SunPower Corporation and Enphase Energy, Inc. (incorporated by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 14, 2019).
10.42	Amendment No. 2 to Master Supply Agreement, dated June 12, 2018, by and between Enphase Energy, Inc. and SunPower Corporation.

Exhibit Number	Description
10.43	Amendment No. 3 to Master Supply Agreement, dated June 12, 2018, by and between Enphase Energy, Inc. and SunPower Corporation.
10.44	Amendment No. 4 to Master Supply Agreement, dated June 12, 2018, by and between Enphase Energy, Inc. and SunPower Corporation.
10.45^	Equity Agreement and Release, dated as of June 25, 2018, by and between SunPower Corporation and Charles D. Boynton (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 1, 2018).
10.46	Amendment to Continuing Agreement for Standby Letters of Credit and Demand Guarantees, dated as of March 22, 2018, by and among Deutsche Bank AG New York Branch and Deutsche Bank Trust Company Americas (collectively, as issuer), SunPower Corporation (as applicant), and SunPower Corporation, Systems (as subsidiary applicant), dated as of March 22, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 28, 2018).
10.47^	2019 Management Career Transition Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 1, 2019).
10.48	Membership Interest Purchase Agreement, dated as of March 26, 2019, by and among SunPower Corporation, SunPower AssetCo, LLC, and Elizabeth Cady Lessee Holdco LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities Exchange Commission on May 10, 2019).
10.49^	Manavendra Sial - Final Letter Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities Exchange Commission on August 1, 2019).
10.50	Investment Agreement, dated November 8, 2019, among SunPower Corporation, Maxeon Solar Technologies, Pte. Ltd., Tianjin Zhonghuan Semiconductor Co., Ltd. and, for the limited purposes set forth therein, Total Solar INTL SAS (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 12, 2019)
10.51	Debenture Repurchase Agreement, dated February 14, 2020, by and between SunPower Corporation and Total Solar INTL SAS (incorporated by reference to Exhibit 10.1 to the Registrants Quarterly Report on Form 10-Q filed with the Securities Exchange Commission on May 8, 2020).
10.52	Prepaid Forward Share Purchase Confirmation, dated as of July 17, 2020, by and between Maxeon Solar Technologies, Ltd. and Merrill Lynch International (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
10.53	Physical Delivery Forward Confirmation, dated as of July 17, 2020, by and between Maxeon Solar Technologies, Ltd. and Merrill Lynch International (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
10.54	Common Terms Agreement, dated as of July 14, 2020, by and among Maxeon Solar Technologies, Ltd. and SunPower Philippines Manufacturing Ltd., as Borrowers, Maxeon Solar Technologies, Ltd., SunPower Systems Sarl, SunPower Energy Solutions France S.A.S. and SunPower Corporation Mexico S. de R.L. de C.V. as Guarantors, the Lenders party thereto and DBS Bank Ltd. as Intercreditor Agent, Facility Agent and Security Agent (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
10.55	Term Facility Agreement, dated as of July 14, 2020, by and between Maxeon Solar Technologies, Ltd. and DBS Bank Ltd., as Facility Agent (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).

Exhibit Number	Description
10.56	SunPower Philippines Facility Agreement, dated as of July 14, 2020, by and among SunPower Philippines Manufacturing Ltd., as the Borrower, the Lenders party thereto and DBS Bank Ltd. as the Facility Agent (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
10.57	Working Capital Facility Agreement, dated as of July 14, 2020, by and among Maxeon Solar Technologies, Ltd., as the Borrower, the Lenders party thereto, and DBS Bank Ltd. as the Facility Agent (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2020).
10.58	Form of Executive Employment Agreement (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 27, 2020).
10.59	2019 Management Career Transition Plan as amended July 24, 2020 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 27, 2020).
10.60	Letter Agreement regarding Consent and Waiver Relating to Replacement Financing and Certain Other Matters, dated as July 9, 2020, by and among SunPower Corporation, Maxeon Solar Technologies, Pte. Ltd. and Tianjin Zhonghuan Semiconductor Co., Ltd (incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 5, 2020).
10.61	Letter Agreement Related to Purchase Price Deposit, dated as July 31, 2020, by and among SunPower Corporation, Maxeon Solar Technologies, Ltd. and Tianjin Zhonghuan Semiconductor Co., Ltd. (incorporated by reference to Exhibit 4.11 of the Registration Statement on Form 20-F filed by Maxeon Solar Technologies, Ltd. with the Securities and Exchange Commission on July 31, 2020).
10.62	Tax Matters Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.2 to the Report on Form 6-K filed by Maxeon Solar on August 27, 2020 (the "Maxeon Solar Form 6-K"))
10.63	Employee Matters Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.3 to the Maxeon Solar Form 6-K)
10.64	Transition Services Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.4 to the Maxeon Solar Form 6-K)
10.65	Supply Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.5 to the Maxeon Solar Form 6-K)
10.66	Back-to-Back Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.6 to the Maxeon Solar Form 6-K)
10.67	Brand Framework Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.7 to the Maxeon Solar Form 6-K)
10.68	Cross-License Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.8 to the Maxeon Solar Form 6-K)
10.69	Collaboration Agreement, dated August 26, 2020, by and between Maxeon Solar Technologies, Ltd. and SunPower Corporation (incorporated by reference to Exhibit 99.9 to the Maxeon Solar Form 6-K)
21.1*	List of Subsidiaries.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
31.1*	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).

Exhibit Number	Description
32.1**	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH*+	XBRL Taxonomy Schema Document.
101.CAL*+	XBRL Taxonomy Calculation Linkbase Document.
101.LAB*+	XBRL Taxonomy Label Linkbase Document.
101.PRE*+	XBRL Taxonomy Presentation Linkbase Document.
101.DEF*+	XBRL Taxonomy Definition Linkbase Document.
104	The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2021 is formatted in Inline XBRL

Exhibits marked with a carrot (^) are director and officer compensatory arrangements.

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

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

Exhibits marked with an extended cross (†) are subject to a request for confidential treatment filed with the Securities and Exchange Commission.

Exhibits marked with a cross (+) are XBRL (Extensible Business Reporting Language) information furnished and not filed herewith, are not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

SIGNATURES

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

SUNPOWER CORPORATION

Dated: February 19, 2021

By: /s/ MANAVENDRA S. SIAL

Manavendra S. Sial
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ THOMAS H. WERNER Thomas H. Werner	Chief Executive Officer and Director (Principal Executive Officer)	February 19, 2021
/S/ MANAVENDRA S. SIAL Manavendra S. Sial	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 19, 2021
/S/ VICHHEKA HEANG Vichheka Heang	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	February 19, 2021
* Francois Badoual	Director	February 19, 2021
* Catherine A. Lesjak	Director	February 19, 2021
* Thomas R. McDaniel	Director	February 19, 2021
* Julien Pouget	Director	February 19, 2021
* Denis Toulouse	Director	February 19, 2021
* Laurent Wolffsheim	Director	February 19, 2021
* Franck Trochet	Director	February 19, 2021
* Patrick Wood III	Director	February 19, 2021

* By: /S/ MANAVENDRA S. SIAL
Manavendra S. Sial
Power of Attorney

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SUNPOWER®

NOTICE OF THE 2021 ANNUAL MEETING OF STOCKHOLDERS

TO ALL SUNPOWER STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2021 Annual Meeting of Stockholders (the ''Annual Meeting'') of SunPower Corporation, a Delaware corporation (''SunPower''), will be held on:

Date:	Thursday, May 13, 2021
Time:	9:00 a.m. Pacific Time
Place:	Online at *www.virtualshareholdermeeting.com/SPWR2021*
Virtual Meeting Admission:	This year's Annual Meeting will be a virtual meeting of stockholders, conducted via a live webcast. You will be able to attend the Annual Meeting online, vote your shares electronically, and submit questions during the meeting by visiting *www.virtualshareholdermeeting.com/SPWR2021*. Have your Notice of Internet Availability of Proxy Materials or proxy card in hand when you access the website and then follow the instructions. To participate in the meeting, you will need the 16-digit control number included on the Notice of Internet Availability of Proxy Materials or proxy card. Online check-in will begin at 8:30 a.m. Pacific Time, and you should allow ample time for the online check-in procedures.
Items of Business:	1. The re-election of three directors to serve as Class I directors on the Board of Directors; 2. The approval, in an advisory vote, of our named executive officer compensation; 3. The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2021; and 4. The transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice of the Annual Meeting. On or about April 2, 2021, we began mailing to certain stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials, including our 2020 Annual Report, via the Internet. Stockholders who did not receive the Notice of Internet Availability of Proxy Materials will receive a paper copy of this notice of the Annual Meeting, the proxy statement, our 2020 Annual Report, and the form of proxy.

All stockholders are cordially invited to attend the Annual Meeting. Only stockholders of record at the close of business on March 15, 2021 (the ''Record Date'') are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. Any registered stockholder in attendance at the Annual Meeting and entitled to vote may do so during the meeting even if such stockholder returned a proxy. SunPower's list of stockholders as of the Record Date will be available for inspection for 10 days prior to the Annual Meeting. If you would like to inspect the stockholder list, call our Investor Relations department at (408) 240-5500 to schedule an appointment. In addition, the list of stockholders will also be available during the Annual Meeting through the meeting website for those stockholders who choose to attend.

San Jose, California
April 2, 2021

FOR THE BOARD OF DIRECTORS

Kenneth Mahaffey
Corporate Secretary

IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE, AND SIGN THE PROXY CARD AND MAIL IT PROMPTLY, OR YOU MAY VOTE BY TELEPHONE OR VIA THE INTERNET BY FOLLOWING THE DIRECTIONS ON THE PROXY CARD. ANY ONE OF THESE METHODS WILL ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING. NO POSTAGE NEED BE AFFIXED TO THE COMPANY-PROVIDED PROXY CARD ENVELOPE IF MAILED IN THE UNITED STATES.

PROXY STATEMENT FOR
2021 ANNUAL MEETING OF STOCKHOLDERS

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SUNPOWER CORPORATION
51 Rio Robles
San Jose, California 95134

PROXY STATEMENT FOR
2021 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The Board of Directors (the ''Board'') of SunPower Corporation, a Delaware corporation, is furnishing this proxy statement and proxy card to you in connection with its solicitation of proxies to be used at the Annual Meeting of Stockholders of SunPower Corporation to be held on May 13, 2021 at 9:00 a.m. Pacific Time (the ''Meeting Date''), or at any adjournment(s), continuation(s), or postponement(s) of the meeting (the ''Annual Meeting'').

This year's Annual Meeting will be a virtual meeting of stockholders, conducted via a live webcast. You will be able to attend the Annual Meeting online, vote your shares electronically, and submit your questions during the meeting by visiting *www.virtualshareholdermeeting.com/SPWR2021*. Have your Notice of Internet Availability of Proxy Materials or proxy card in hand when you access the website and then follow the instructions. To participate in the meeting, you will need the 16-digit control number included on the Notice of Internet Availability of Proxy Materials or proxy card.

Online check-in will begin at 8:30 a.m. Pacific Time on the Meeting Date, and you should allow ample time for the online check-in procedures. We will have technicians ready to assist you should you have any technical difficulties accessing the virtual meeting.

We use a number of abbreviations in this proxy statement. We refer to SunPower Corporation as ''SunPower,'' ''the Company,'' or ''we,'' ''us,'' or ''our.'' The term ''proxy solicitation materials'' includes this proxy statement, the notice of the Annual Meeting, and the proxy card. References to ''fiscal 2020'' mean our 2020 fiscal year, which began on December 30, 2019 and ended on January 3, 2021, while references to ''fiscal 2019'' mean our 2019 fiscal year, which began on December 31, 2018 and ended on December 29, 2019.

Our principal executive offices are located at 51 Rio Robles, San Jose, California 95134, and our telephone number is (408) 240-5500.

Important Notice Regarding The Availability of Proxy Materials

We have elected to comply with the Securities and Exchange Commission (the ''SEC'') ''Notice and Access'' rules, which allow us to make our proxy solicitation materials available to our stockholders over the Internet. Under these rules, on or about April 2, 2021, we started mailing to certain of our stockholders a Notice of Internet Availability of Proxy Materials (the ''Notice of Internet Availability''). The Notice of Internet Availability contains instructions on how our stockholders can both access the proxy solicitation materials and our 2020 Annual Report on Form 10-K for the fiscal year ended January 3, 2021 (the ''2020 Annual Report'') online and vote online. By sending the Notice of Internet Availability instead of paper copies of the proxy materials, we expect to lower the costs and reduce the environmental impact of our Annual Meeting.

Our proxy solicitation materials and our 2020 Annual Report are available at *www.proxyvote.com*.

Stockholders receiving the Notice of Internet Availability may request a paper or electronic copy of our proxy solicitation materials by following the instructions set forth on the Notice of Internet Availability. Stockholders who did not receive the Notice of Internet Availability will continue to receive a paper or electronic copy of our proxy solicitation materials, which were first mailed to stockholders and made public on or about April 2, 2021.

Delivery of Voting Materials

If you would like to further reduce our environmental impact and costs in mailing proxy materials, you can consent to receive all future proxy statements, proxy cards, and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions provided for voting via *www.proxyvote.com* and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

To reduce the environmental waste and expense of delivering duplicate materials to our stockholders, we are taking advantage of householding rules that permit us to deliver only one set of proxy solicitation materials and our 2020 Annual Report, or one copy of the Notice of Internet Availability, to stockholders who share the same address, unless otherwise requested. Each stockholder retains a separate right to vote on all matters presented at the Annual Meeting.

If you share an address with another stockholder and have received only one set of materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate materials or request that we only send one set of materials to you if you are receiving multiple copies by writing to us at SunPower Corporation, 51 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary, or calling us at (408) 240-5500.

A copy of our 2020 Annual Report has been furnished with this proxy statement to each stockholder. A stockholder may also request a copy of our 2020 Annual Report by writing to our Corporate Secretary at 51 Rio Robles, San Jose, California 95134. Upon receipt of such request, we will provide a copy of our 2020 Annual Report without charge, including the financial statements required to be filed with the SEC pursuant to Rule 13a-1 of the Securities Exchange Act of 1934 (the ''Exchange Act'') for fiscal 2020. Our 2020 Annual Report is also available on our website at *http://investors.SunPower.com/sec.cfm.*

Record Date and Shares Outstanding

Stockholders who owned shares of our common stock, par value $0.001 per share, at the close of business on March 15, 2021, which we refer to as the Record Date, are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, we had 172,263,566 shares of common stock outstanding. For more information about beneficial ownership of our issued and outstanding common stock, please see ''*Security Ownership of Management and Certain Beneficial Owners*.''

Board Recommendations

The Board recommends that you vote:

- ''FOR'' Proposal One: re-election of each of the nominated Class I directors;
- ''FOR'' Proposal Two: the approval, on an advisory basis, of the compensation of our named executive officers; and
- ''FOR'' Proposal Three: the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2021.

Voting

Each holder of shares of common stock is entitled to one vote for each share of common stock held as of the Record Date. Cumulating votes is not permitted under our Restated Certificate of Incorporation (the ''Certificate of Incorporation'').

Many of our stockholders hold their shares through a stockbroker, bank, or other nominee, rather than directly in his or her own name. As summarized below, there are distinctions between shares held of record and those beneficially owned.

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company N.A., you are considered, with respect to those shares, the stockholder of record and these proxy solicitation materials are being furnished to you directly by us.

Beneficial Owner. If your shares are held in a stock brokerage account, or by a bank or other nominee (also known as shares registered in ''street name''), you are considered the beneficial owner of such shares held in street name, and these proxy solicitation materials are being furnished to you by your broker, bank, or other nominee, who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank, or other nominee how to vote your shares, or to vote your shares during the Annual Meeting.

How to Vote. If you hold shares directly as a stockholder of record, you can vote in one of the following four ways:

(1) Vote via the Internet before the Meeting Date. Go to *www.proxyvote.com* to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on May 12, 2021. Have your proxy card in hand when you access the website and then follow the instructions.

(2) Vote by Telephone at 1-800-690-6903 before the Meeting Date. Use a touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on May 12, 2021. Have your proxy card in hand when you call and then follow the instructions. This number is toll free in the United States and Canada.

(3) Vote by Mail before the Meeting Date. Mark, sign, and date your proxy card and return it in the postage-paid envelope we have provided, or return the proxy card to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

(4) Vote via the Internet during the Annual Meeting. You may attend the Annual Meeting on May 13, 2021 at 9:00 a.m. Pacific Time via the Internet at *www.virtualshareholdermeeting.com/SPWR2021* and vote during the Annual Meeting. Have your proxy card in hand when you access the website and then follow the instructions.

If you hold shares beneficially in street name, you may submit your voting instructions in the manner prescribed by your broker, bank, or other nominee by following the instructions provided by your broker, bank, or other nominee, or you may vote your shares during the Annual Meeting.

Even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described in options (1), (2), and (3) above so that your vote will be counted if you later decide not to attend the Annual Meeting.

Quorum. A quorum, which is the holders of at least a majority of shares of our stock issued and outstanding and entitled to vote as of the Record Date, is required to be present in person or by proxy at the Annual Meeting in order to hold the Annual Meeting and to conduct business. Your shares will be counted as being present at the Annual Meeting if you attend the Annual Meeting (and are the stockholder of record for your shares), if you vote your shares by telephone or over the Internet, or if you submit a properly executed proxy card. Abstentions and "broker non-votes" are counted as present and entitled to vote for purposes of determining a quorum. Votes against a particular proposal will also be counted both to determine the presence or absence of a quorum and to determine whether the requisite number of voting shares has been obtained.

Explanation of Broker Non-Votes and Abstentions. A "broker non-vote" occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Brokers are prohibited from voting in their discretion on any non-routine proposals without instructions from the beneficial owners. If you do not instruct your broker how to vote on a non-routine proposal, your broker will not vote for you. Abstentions are deemed to be entitled to vote for purposes of determining whether stockholder approval of that matter has been obtained, and they would be included in the tabulation of voting results as votes against the proposal.

Votes Required/Treatment of Broker Non-Votes and Abstentions.

Proposal One – Re-election of Class I Directors. Election of a director requires the affirmative vote of the holders of a plurality of votes represented by the shares in attendance or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. The three persons receiving the greatest number of votes at the Annual Meeting shall be elected as Class I directors. Neither "broker non-votes" nor abstentions will affect the outcome of the voting on Proposal One.

Proposal Two – Advisory Vote on Named Executive Officer Compensation. The non-binding advisory vote on named executive officer compensation requires the affirmative vote of the holders of a majority of our stock having voting power and in attendance or represented by proxy at the Annual Meeting. "Broker non-votes" have no effect and will not be counted towards the vote total for this proposal. Abstentions will have the effect of votes against Proposal Two.

Proposal Three – Ratification of the Appointment of Independent Registered Public Accounting Firm for Fiscal Year 2021. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of the holders of a majority of our stock having voting power and in attendance or represented by proxy at the Annual Meeting. This proposal is considered to be a routine proposal and brokers have discretionary authority to vote on this proposal. Abstentions will have the effect of votes against Proposal Three.

How Your Proxy Will Be Voted

If you complete and submit your proxy card or vote via the Internet or by telephone, the shares represented by your proxy will be voted at the Annual Meeting in accordance with your instructions. If you submit your proxy card by mail, but do not fill out the voting instructions on the proxy card, the shares represented by your proxy will be voted in favor of each of the three proposals. In addition, if any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as directed by the Board. We have not received notice of any other matters that may properly be presented at the Annual Meeting.

Revoking Your Proxy

You may revoke your proxy at any time before the Meeting Date by: (1) submitting a later-dated vote by telephone, by mail, or via the Internet before 11:59 p.m. Eastern Time on May 12, 2021 or at the Annual Meeting; or (2) delivering instructions to us at 51 Rio Robles, San Jose, California 95134 to the attention of our Corporate Secretary. Any notice of revocation sent to us must include the stockholder's name and must be actually received by us before the Annual Meeting to be effective. Your attendance at the Annual Meeting after having executed and delivered a valid proxy card or vote via the Internet or by telephone will not in and of itself constitute a revocation of your proxy. If you are the stockholder of record or if your shares are held in "street name," you may revoke your proxy by voting electronically at the Annual Meeting.

Solicitation of Proxies

We will pay for the cost of this proxy solicitation. We may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding or furnishing proxy solicitation materials to such beneficial owners. Proxies may also be solicited personally or by telephone, telegram, or facsimile by certain of our directors, officers, and regular employees, without additional compensation.

Voting Results

We will announce preliminary voting results at the Annual Meeting and publish final results on a Current Report on Form 8-K, which we intend to file with the SEC within four business days after the Meeting Date.

Note Concerning Forward-Looking Statements

Certain of the statements contained in this proxy statement are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "potential," "will," "would," "should," and similar expressions to identify forward-looking statements. Forward-looking statements in this proxy statement include, but are not limited to, our plans and expectations regarding the succession of our president and chief executive officer, future financial results, expected operating results, business strategies, the sufficiency of our cash and our liquidity, projected costs and cost reduction measures, development of new products and improvements to our existing products, the impact of recently adopted accounting pronouncements, our manufacturing capacity and manufacturing costs, the adequacy of our agreements with our suppliers, our ability to monetize our solar projects, legislative actions and regulatory compliance, competitive positions, management's plans and objectives for future operations, our ability to obtain financing, our ability to comply with debt covenants or cure any defaults, our ability to repay our obligations as they come due, our ability to continue as a going concern, trends in average selling prices, the success of our joint ventures and acquisitions, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest, and credit risk, general business and economic conditions in our markets, industry trends, the impact of changes in government incentives, expected restructuring charges, risks related to privacy and data security, statements regarding the anticipated impact on our business of the COVID-19 pandemic and related public health measures, macroeconomic trends and uncertainties, and the likelihood of any impairment of project assets, long-lived assets, and investments. These forward-looking statements are based on information available to us as of the date of this proxy statement and our current expectations, forecasts, and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Part I, Item 1A, "Risk Factors," and elsewhere in our 2020 Annual Report, which accompanies this proxy statement. Please see these and our other filings with the SEC for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, AND SIGN THE PROXY CARD AND RETURN IT PROMPTLY, OR VOTE BY TELEPHONE OR VIA THE INTERNET BY FOLLOWING THE DIRECTIONS ON THE PROXY CARD. STOCKHOLDERS WHO ATTEND THE ANNUAL MEETING MAY REVOKE A PRIOR PROXY VOTE AND VOTE THEIR SHARES AS SET FORTH IN THIS PROXY STATEMENT.

PROPOSAL ONE

RE-ELECTION OF CLASS I DIRECTORS

The Board is currently composed of nine directors and divided into three classes, in accordance with Article IV, Section B of our Certificate of Incorporation. Only the terms of the three directors serving as Class I directors are scheduled to expire in 2021. The terms of other directors expire in subsequent years.

On April 28, 2011, we and Total Solar INTL SAS, formerly known as Total Solar International SAS, Total Energies Nouvelles Activités USA, SAS and Total Gas & Power USA, SAS (''Total''), a subsidiary of Total S.E., entered into a Tender Offer Agreement (the ''Tender Offer Agreement''). Pursuant to the Tender Offer Agreement, dated June 21, 2011, Total purchased in a cash tender offer approximately 60% of our then outstanding shares of common stock (the ''Tender Offer''). In connection with the Tender Offer, we and Total entered into an Affiliation Agreement that governs the relationship between Total and us following the close of the Tender Offer (the ''Affiliation Agreement''). In accordance with the terms of the Affiliation Agreement, the Board has nine members, composed of our president and chief executive officer, five directors designated by Total, and three non-Total-designated directors. If the ownership of our voting securities by Total, together with the controlled subsidiaries of Total S.E., declines below certain thresholds, the number of members of the Board that Total is entitled to designate will be reduced as set forth in the Affiliation Agreement. See ''*Certain Relationships and Related Persons Transactions—Agreements with Total Solar INTL SAS and Total S.E.—Affiliation Agreement*.''

The Board has considered and approved the nomination of François Badoual, Denis Toulouse, and Patrick Wood III, our current Class I directors, for re-election as directors at the Annual Meeting. Messrs. Badoual and Toulouse are Total-designated directors. Mr. Wood is an independent director. Each nominee has consented to being named in this proxy statement and to serve if re-elected. Unless otherwise directed, the proxy holders will vote the proxies received by them for the three nominees named herein. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the present Board to fill the vacancy. We do not expect that any nominee will be unable or will decline to serve as a director. The Class I directors elected will then hold office until the annual meeting of stockholders in 2024 or until their successors are elected.

The Class II directors consist of Catherine Lesjak, Julien Pouget, and Franck Trochet, who will hold office until the annual meeting of stockholders in 2022 or until their successors are elected. Ms. Lesjak is an independent director. Messrs. Pouget and Trochet are Total-designated directors. The Class III directors consist of Thomas McDaniel, Laurent Wolffsheim, and Thomas Werner, who will hold office until the annual meeting of stockholders in 2023 and until their successors are elected or until their earlier resignation, removal from office, death, or incapacity. Mr. McDaniel is an independent director. Mr. Wolffsheim is a Total-designated director. Mr. Werner is currently our president and chief executive officer. As previously announced, Mr. Werner will retire from his position, effective April 19, 2021, and Peter Faricy will succeed him as our president and chief executive officer, effective on the same day. Mr. Werner has agreed to continue to serve as a Class III director and as chairman of the Board for a period of time to aid in the leadership transition.

Additional information about the Class I director nominees for re-election, and the Class II and Class III directors, is set forth below.

Class I Directors Nominated for Re-Election at The Annual Meeting

Name	Age	Position(s) with SunPower	Director Since
François Badoual	56	Director	2017
Denis Toulouse	55	Director	2020
Patrick Wood III	58	Director	2005

François Badoual has served as president and chief executive officer of Total Washington D.C. Representative Office, Ltd. since September 2019. From 2017 to 2020, he served as president and chief executive officer of Total New Energies Ventures, Inc. From 2012 to 2017, he served as chief executive officer of Total Energy Ventures, the corporate venture capital arm for the Total Group. Mr. Badoual also previously served as general manager and country chairman for Total Exploration and Production - Algeria from 2009 to 2012, and as deputy general manager for Total Exploration and Production - Angola from 2006 to 2009. Mr. Badoual has held various other positions in the Total Group since 1990, and he has worked in France, Indonesia, United Arab Emirates, and Venezuela. Mr. Badoual holds a degree in civil engineering from École Nationale des Travaux Publics de l'État and an Advanced Master in Regional and Urban Planning from École Nationale des Ponts et Chaussées.

Mr. Badoual brings significant international managerial and operational experience to the Board. His extensive experience in the energy industry gives him a valuable perspective on our efforts to manage our business and project development activities. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Badoual should serve as a director on the Board.

Denis Toulouse has served as senior vice president, corporate and project finance, of Total S.E. in Paris since April 2019. He previously served as senior vice president, mergers and acquisitions, of Total S.E. in Paris starting in 2016. From 2015 to 2016, Mr. Toulouse was chief financial officer of Total Gas & Power Ltd. in London. Mr. Toulouse joined Elf Aquitaine S.A.S. in 1991, prior to its acquisition by Total, and held various positions in the marketing division of Total, including chief financial officer of Total Deutschland in Germany and chief financial officer of Total Belgium in Belgium. Mr. Toulouse is a graduate of HEC Paris business school in France.

Mr. Toulouse brings significant international managerial and business development experience to the Board. His extensive experience in the energy industry gives him a valuable perspective on our efforts to manage our business and project development activities. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Toulouse should serve as a director on the Board.

Patrick Wood III has served as president of the Hunt Energy Network, an energy storage development company, since February 2019, and as a principal of Wood3 Resources, an energy infrastructure developer, since July 2005. He is active in the development of electric power and natural gas infrastructure assets in North America. From 2001 to 2005, Mr. Wood served as the chairman of the Federal Energy Regulatory Commission. From 1995 to 2001, he chaired the Public Utility Commission of Texas. Mr. Wood has also been an attorney with Baker & Botts, a global law firm, and an associate project engineer with Arco Indonesia, an oil and gas company, in Jakarta. He currently serves as a director of Quanta Services, Inc. Mr. Wood is a past board chairman of Dynegy, a past director of Memorial Resource Development, Inc. and TPI Composites, a former director of the American Council on Renewable Energy, and a member of the National Petroleum Council.

Mr. Wood brings significant strategic and operational management experience to the Board. Mr. Wood has demonstrated strong leadership skills through a decade of regulatory leadership in the energy sector. Mr. Wood brings a unique perspective and extensive knowledge of energy project development, public policy development, governance, and the regulatory process. His legal background also provides the Board with a perspective on the legal implications of matters affecting our business. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Wood should serve as a director on the Board, chairman of the Nominating and Corporate Governance Committee, and chairman of the Compensation Committee.

Class II Directors with Terms Expiring in 2022

Name	Age	Position(s) with SunPower	Director Since
Catherine Lesjak	62	Director	2013
Julien Pouget	44	Director	2017
Franck Trochet	50	Director	2019

Catherine Lesjak retired from HP Inc. on February 28, 2019 and was the interim chief operating officer of HP Inc. from July 1, 2018 until January 1, 2019. She served as executive vice president and chief financial officer of HP Inc. (formerly Hewlett-Packard Company) (HP) from January 1, 2007 until November 1, 2015 and chief financial officer of HP from November 1, 2015 until July 1, 2018. Ms. Lesjak served as interim chief executive officer of HP from August 2010 through October 2010. As a 32-year veteran at HP, Ms. Lesjak held a broad range of financial leadership roles across HP. Before being named as chief financial officer, Ms. Lesjak served as senior vice president and treasurer, where she was responsible for managing HP's worldwide cash, debt, foreign exchange, capital structure, risk management, and benefits plan administration. Earlier in her career at HP, she managed financial operations for Enterprise Marketing and Solutions and the Software Global Business Unit. Before that, she was group controller for HP's Software Solutions Organization and managed HP's global channel credit risk as controller and credit manager for the Commercial Customer Organization. Ms. Lesjak has a bachelor's degree in biology from Stanford University and a master of business administration degree in finance from the University of California, Berkeley.

Ms. Lesjak's extensive experience as the chief financial officer of a major corporation, with significant presence in both the business-to-consumer and business-to-business markets, allows her to make significant contributions to our strategic business planning and execution and qualifies her as a financial expert, which is relevant to her duties as a member of the Audit Committee. Her background is also valuable in terms of financial oversight and review of our strategic investments. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Ms. Lesjak should serve as a director on the Board and chair of the Audit Committee.

Julien Pouget has served as senior vice president of the Renewables division of Total S.E. since January 1, 2017. From 2014 to 2016, he served as a senior advisor to the President of France, initially responsible for industry, then industry and digital, and finally for the economy. His responsibilities during this time included the restructuring of the French nuclear power industry. Prior to his service to the President of France, Mr. Pouget spent six years in various positions at Alstom Power, including as vice president of the heat exchangers product line for France, Switzerland, and China, as vice president and general manager of Asian activities, and as project leader and head of engineering for the heat exchangers on the Flamanville 3 EPR nuclear power plant in France. From 2001 to 2008, Mr. Pouget held various positions in the French Ministry of Industry, and at the state shareholding agency at the French Ministry for Finance and Economy. Mr. Pouget is a chief engineer of the prestigious French Corps de Mines and a graduate of the École Polytechnique.

Mr. Pouget brings significant international managerial and operational experience to the Board. His extensive experience in the energy industry and in government gives him a valuable perspective on policy and the global energy marketplace. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Pouget should serve as a director on the Board.

Franck Trochet has served as vice president, finance, of Total Petrochemicals and Refining USA, Inc. in Houston since 2017. He held a similar role for Total's exploration and production and marketing and services divisions, as well as its U.S. affiliates, since 2017. From 2013 to 2017, Mr. Trochet served as vice president, business control, for Total's refining and chemicals branch in Paris. He was part of the team that established Total's refining and chemicals branch in 2010 before being appointed as vice president, corporate affairs, of Total's polymers business unit in Brussels. Mr. Trochet joined the finance division of Elf Aquitaine S.A.S. in 1999, prior to its acquisition by Total, and held various positions in the refining and marketing divisions of Total, including U.K. finance manager, until 2010. He started his career at Ernst & Young LLP. He is a graduate of the Business School of Tours in France.

Mr. Trochet brings significant strategic and business development experience to the Board. His extensive experience in the energy industry gives him a valuable perspective on the development of our strategy going forward. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Trochet should serve as a director on the Board.

Class III Directors With Terms Expiring in 2023

Name	Age	Position(s) with SunPower	Director Since
Thomas McDaniel	71	Director	2009
Thomas Werner	60	President, Chief Executive Officer, and Chairman of the Board	2003
Laurent Wolffsheim	49	Director	2021

Thomas McDaniel was executive vice president, chief financial officer, and treasurer of Edison International, a generator and distributor of electric power and investor in infrastructure and energy assets, before retiring in July 2008 after 37 years of service. Before January 2005, Mr. McDaniel was chairman, chief executive officer, and president of Edison Mission Energy, a power generation business specializing in the development, acquisition, construction, management, and operation of power production facilities. Mr. McDaniel was also chief executive officer and a director of Edison Capital, a provider of capital and financial services supporting the growth of energy and infrastructure projects, products, and services, both domestically and internationally. Mr. McDaniel has served on the Board since February 2009. Mr. McDaniel formerly served as chairman of the boards of directors of SemGroup, L.P., a midstream energy services company, and Tendril Networks, Inc., a software-as-a-service energy efficiency company. He formerly served on the advisory boards of Cypress Envirosystems, which develops and markets energy efficiency products, and On Ramp Wireless, a communications company serving electrical, gas, and water utilities. Mr. McDaniel also served on the boards of directors of the Senior Care Action Network (SCAN) from 2000 to 2013 and Aquion Energy, a manufacturer of energy storage systems. Through the McDaniel Family Foundation, he is actively involved in a variety of charitable activities, such as the Boys and Girls Club of Huntington Beach, Heifer International, and the Free Wheelchair Mission.

Mr. McDaniel brings significant operational and development experience, including extensive experience growing and operating global electric power businesses, to the Board. In addition, Mr. McDaniel's prior experience as a chief financial officer qualifies him as a financial expert, which is relevant to his duties as an Audit Committee member. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. McDaniel should serve as a director on the Board.

Thomas Werner has served as our chief executive officer and as a member of the Board since June 2003, and chairman of the Board since May 2011. From 2001 to 2003, before joining SunPower, he held the position of chief executive officer of Silicon Light Machines, Inc., an optical solutions subsidiary of Cypress Semiconductor Corporation. From 1998 to 2001, Mr. Werner served as vice president and general manager of the Business Connectivity Group of 3Com Corp., a network solutions company. He also held a number of executive management positions at Oak Industries, Inc. and General Electric Co. Mr. Werner currently serves as a member of the board of directors of Cree, Inc., an LED manufacturer, and the Silicon Valley Leadership Group. He is also on the board of trustees of Marquette University. Mr. Werner served as a member of the board of directors of Silver Spring Networks, a provider of smart grid applications, from March 2009 to January 2018. Mr. Werner holds a bachelor's degree in industrial engineering from the University of Wisconsin–Madison, a bachelor's degree in electrical engineering from Marquette University, and a master's degree in business administration from George Washington University.

Mr. Werner brings significant leadership, technical, operational, and financial management experience to the Board. Mr. Werner provides the Board with valuable insight into management's perspective with respect to our operations. Mr. Werner has demonstrated strong executive leadership skills through more than 20 years of executive officer service with various companies and brings the most comprehensive view of our operational history over the past several years. Mr. Werner also brings to the Board leadership experience through his service on the boards of directors of two other organizations, which gives him the ability to compare the way in which management and boards operate within the companies and organizations he serves. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Werner should serve as a director on the Board and chairman of the Board.

Laurent Wolffsheim has served as senior vice president, strategy growth & people within the Gas Renewables and Power division of Total since January 2021. Before that, he served as managing director of Total Exploration & Production Qatar, vice president budget & financial control for the Total group, strategic planning manager within the Refining & Chemicals division of Total, and managing director of Total Polska Sp. z o.o. Prior to those positions, Mr. Wolffsheim held various other positions within the Total group, where he has been employed since 1995. Mr. Wolffsheim holds a degree in engineering from École Centrale de Lyon and a degree in business administration from École Supérieure des Sciences Économiques et Commerciales.

Mr. Wolffsheim brings significant international strategic and business development experience to the Board. His extensive experience in the energy and technology industries gives him a valuable perspective on our role in the global marketplace. It is based on the Board's identification of these qualifications, skills, and experience that the Board has concluded that Mr. Wolffsheim should serve as a director on the Board.

Vote Required

Election of a director requires the affirmative vote of the holders of a plurality of votes represented by the shares in attendance or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. The three persons receiving the greatest number of votes at the Annual Meeting shall be elected as Class I directors. Neither "broker non-votes" nor abstentions will affect the outcome of the voting on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION TO THE BOARD OF EACH OF THE CLASS I DIRECTOR NOMINEES.

BOARD STRUCTURE

Determination of Independence

The Board has determined that three of our nine directors, namely Ms. Lesjak, Mr. McDaniel, and Mr. Wood, each meet the standards for independence as defined by applicable listing standards of The Nasdaq Stock Market and rules and regulations of the SEC. The Board has also determined that Mr. Werner, our president, chief executive officer, and chairman of the Board, and Mr. Badoual, Mr. Pouget, Mr. Toulouse, Mr. Trochet, and Mr. Wolffsheim, as directors designated by our controlling stockholder, Total, pursuant to our Affiliation Agreement with Total, are not ''independent'' as defined by applicable listing standards of The Nasdaq Stock Market. As described above, Mr. Werner will retire from his position, effective April 19, 2021, and Peter Faricy will succeed him as our president and chief executive officer, effective on the same day. Mr. Werner has agreed to continue to serve as a Class III director and as chairman of the Board for a period of time to aid in the leadership transition. It is anticipated that Mr. Faricy will also be appointed to the Board on or after April 19, 2021. As chief executive officer, Mr. Faricy will not be ''independent'' as defined by applicable listing standards of The Nasdaq Stock Market. There are no family relationships among any of our directors or executive officers.

Leadership Structure and Risk Oversight

The Board has determined that having a lead independent director assist Mr. Werner as chairman of the Board, and, following Mr. Werner's retirement, Mr. Faricy as president and chief executive officer, is in the best interest of our stockholders. Mr. Werner has agreed to continue to serve as chairman of the Board for a period of time to aid in the leadership transition, which the Board has also determined to be in the best interest of our stockholders. The Board believes this structure ensures a greater role for the independent directors in the oversight of our company and encourages active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board. We believe that this leadership structure also is preferred by a significant number of our stockholders. Mr. McDaniel has served as the lead independent director of our Board since February 2021, and Mr. Wood served as the lead independent director of the Board from June 2012 to February 2021.

The Board is actively involved in oversight of risks that could affect our company. This oversight is conducted primarily through committees of the Board, in particular our Audit Committee, as disclosed in the descriptions of each of the committees below and in the respective charters of each committee. The full Board, however, has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from our officers responsible for oversight of particular risks within our company.

Board Meetings

The Board held four regular, quarterly meetings, one annual meeting, and 18 special meetings during fiscal 2020. During fiscal 2020, each incumbent director, as applicable, attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his or her term. Our independent directors held four meetings with management present, as well as four executive sessions during regular, quarterly meetings and four executive sessions during special meetings without management present, during fiscal 2020.

Controlled Company, Nasdaq Listing Standards

As of April 2, 2021, Total has owned greater than 50% of our outstanding voting securities, and we are therefore considered a ''controlled company'' within the meaning of The Nasdaq Stock Market rules. As long as we remain a ''controlled company,'' we are exempt from the rules that would otherwise require that the Board be composed of a majority of independent directors and that our Compensation Committee and Nominating and Corporate Governance Committee be composed entirely of independent directors. This ''controlled company'' exception does not modify the independence requirements for the Audit Committee, and we comply with the requirements of the Sarbanes-Oxley Act and The Nasdaq Stock Market rules that require that our Audit Committee be composed exclusively of independent directors.

Board Committees

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. The Board has established committees to ensure that we maintain strong corporate governance standards. The Board has standing Audit, Compensation, and Nominating and Corporate Governance Committees. Additionally, the

Board has in the past established, and may in the future establish, ad hoc committees to assist the Board in fulfilling its oversight responsibilities. The charters of our Audit, Compensation, and Nominating and Corporate Governance Committees are available on our website at *http://investors.SunPower.com*. You may also request copies of our committee charters free of charge by writing to SunPower Corporation, 51 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary. Below is a summary of our committee structure and membership information.

Director(1)	**Audit Committee**	**Compensation Committee**	**Nominating and Corporate Governance Committee**
Thomas Werner	—	—	—
François Badoual	—	—	Member
Catherine Lesjak (I)	Chair	—	—
Thomas McDaniel (I)(*)	Member	Member	Member
Julien Pouget	—	Member	—
Denis Toulouse	—	—	—
Franck Trochet	—	—	Member
Laurent Wolffsheim	—	Member	—
Patrick Wood III (I)	Member	Chair	Chair

(1) (I) Indicates an independent director, and (*) indicates the lead independent director.

(2) Audit Committee

Ms. Lesjak is the chair of the Audit Committee, appointed in February 2021. Our Audit Committee is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Board has determined that each member of our Audit Committee is ''independent'' as that term is defined in Section 10A of the Exchange Act and as defined by applicable listing standards of The Nasdaq Stock Market. Each member of the Audit Committee is financially literate and has the financial sophistication required by the applicable listing standards of The Nasdaq Stock Market. The Board has determined that each of Ms. Lesjak and Mr. McDaniel meet the criteria of an ''audit committee financial expert'' within the meaning of applicable SEC regulations due to their professional experience. Ms. Lesjak's and Mr. McDaniel's relevant professional experience is described above under ''*Proposal One—Re-Election of Class I Directors*.'' The Audit Committee held 10 meetings during fiscal 2020.

The purpose of the Audit Committee, pursuant to its charter, is, among other things, to:

- provide oversight of our accounting and financial reporting processes and the audit of our financial statements and internal controls by our independent registered public accounting firm;
- assist the Board in the oversight of: (1) the integrity of our financial statements; (2) our compliance with legal and regulatory requirements; (3) the independent registered public accounting firm's performance, qualifications, and independence; and (4) the performance of our internal audit function;
- oversee management's identification, evaluation, and mitigation of major risks to our company;
- prepare an audit committee report as required by the SEC to be included in our annual proxy statement;
- provide to the Board such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board;
- consider questions of actual and potential conflicts of interest (including corporate opportunities) of Board members and corporate officers and review and approve proposed related party transactions that would be required to be disclosed under Item 404 of Regulation S-K, provided that any approval of related party transactions may be made only by the disinterested members of the Audit Committee;
- oversee any waiver of the Code of Business Conduct and Ethics for directors and executive officers; and
- review at least annually our company's banking and treasury authorizations and material terms of our credit facilities as they bear on our risk exposures, financial disclosures, internal controls, and legal compliance.

The Audit Committee also serves as the representative of the Board with respect to its oversight of the matters described below in the "*Audit Committee Report*." The Audit Committee has established procedures for (1) the receipt, retention, and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (2) the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters. The Audit Committee promptly reviews such complaints and concerns.

Compensation Committee

Mr. Wood is the chairman of the Compensation Committee, appointed in November 2012. Two of the four members of the Compensation Committee, Mr. McDaniel and Mr. Wood, are "independent" as defined by applicable listing standards of The Nasdaq Stock Market. Mr. Pouget and Mr. Wolffsheim were designated by Total to be on the Compensation Committee pursuant to our Affiliation Agreement and are not "independent" as defined by applicable listing standards of The Nasdaq Stock Market. The Compensation Committee held four meetings during fiscal 2020.

The Compensation Committee, pursuant to its charter, assists the Board in discharging its duties with respect to:

- the formulation, implementation, review, and modification of the compensation of our directors and executive officers;
- the review and preparation of an annual report of the Compensation Committee for inclusion in our annual proxy statement or Annual Report on Form 10-K, in accordance with applicable rules of the SEC and applicable listing standards of The Nasdaq Stock Market;
- the review and discussion with management of the Compensation Discussion and Analysis section of our annual proxy statement or Annual Report on Form 10-K;
- oversight of our company compensation philosophy, which may be performance-based, to reward and retain employees based on achievement of goals; and
- the administration of our equity incentive plans, including the SunPower Corporation 2015 Omnibus Incentive Plan.

We also have a Section 16 Subcommittee of the Compensation Committee consisting solely of independent directors available to approve certain compensation matters in accordance with Rule 16b-3 of the Exchange Act, as recommended by the Compensation Committee.

In certain instances, the Compensation Committee has delegated limited authority to Mr. Werner, in his capacity as a Board member, with respect to compensation and equity awards for employees other than our executive officers. For more information on our processes and procedures for the consideration and determination of executive compensation, see "*Compensation Discussion and Analysis*" below.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee was at any time during fiscal 2020 one of our officers or employees or is one of our former officers or employees. No member of our Compensation Committee had any relationship requiring disclosure under Item 404 and Item 407(e)(4) of Regulation S-K. Additionally, during fiscal 2020, none of our executive officers or directors was a member of the board of directors, or any committee of the board of directors, or of any other entity such that the relationship would be construed to constitute a compensation committee interlock within the meaning of the rules and regulations of the SEC.

Nominating and Corporate Governance Committee

Mr. Wood is the chairman of our Nominating and Corporate Governance Committee. Two of the four members of the Nominating and Corporate Governance Committee, Mr. McDaniel and Mr. Wood, are "independent" as defined by applicable listing standards of The Nasdaq Stock Market. Mr. Badoual and Mr. Trochet were designated by Total to be on the Nominating and Corporate Governance Committee pursuant to our Affiliation Agreement with Total and are not "independent" as defined by applicable listing standards of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee held five meetings during fiscal 2020.

The Nominating and Corporate Governance Committee, pursuant to its charter, assists the Board in discharging its responsibilities with respect to:

- the identification of individuals qualified to become directors and the selection or recommendation of candidates for all directorships to be filled by the Board or by the stockholders;
- the evaluation of whether an incumbent director should be nominated for re-election to the Board upon expiration of such director's term, based upon factors established for new director candidates as well as the incumbent director's qualifications, performance as a Board member, and such other factors as the Nominating and Corporate Governance Committee deems appropriate; and
- the development, maintenance, and recommendation of a set of corporate governance principles applicable to us, and periodically reviewing such principles.

The Nominating and Corporate Governance Committee also considers diversity in identifying nominees for directors. In particular, the Nominating and Corporate Governance Committee believes that the members of the Board should reflect a diverse range of talent, skill, and expertise sufficient to provide sound and prudent guidance with respect to our operations and interests. In addition, the Nominating and Corporate Governance Committee has determined that the Board as a whole must have the right diversity, mix of characteristics, and skills for the optimal functioning of the Board in its oversight role.

The Nominating and Corporate Governance Committee believes the Board should be composed of persons with skills in areas such as:

- relevant industries, especially solar products and services;
- technology manufacturing;
- sales and marketing;
- leadership of large, complex organizations;
- finance and accounting;
- corporate governance and compliance;
- strategic planning;
- international business activities; and
- human capital and compensation.

Under our Corporate Governance Principles, during the director nominee evaluation process, the Nominating and Corporate Governance Committee and the Board take the following into account:

- A significant number of directors on the Board should be independent directors, unless otherwise required by applicable law or The Nasdaq Stock Market rules;
- Candidates should be capable of working in a collegial manner with persons of different educational, business, and cultural backgrounds and should possess skills and expertise that complement the attributes of the existing directors;
- Candidates should represent a diversity of viewpoints, backgrounds, experiences, and other demographics, including, but not limited to, gender and membership in underrepresented communities;
- Candidates should demonstrate notable or significant achievement and possess senior-level business, management, or regulatory experience that would inure to our benefit;
- Candidates shall be individuals of the highest character and integrity;
- Candidates shall be free from any conflict of interest that would interfere with their ability to properly discharge their duties as a director or would violate any applicable law or regulation;
- Candidates for the Audit Committee and Compensation Committee should have the enhanced independence and financial literacy and expertise that may be required under law or The Nasdaq Stock Market rules;
- Candidates shall be capable of devoting the necessary time to discharge their duties, taking into account memberships on other boards and other responsibilities; and
- Candidates shall have the desire to represent the interests of all stockholders.

CORPORATE GOVERNANCE

Stockholder Communications with Board

We provide a process by which stockholders may send communications to the Board, any committee of the Board, our non-management directors, or any particular director. Stockholders can contact our non-management directors by sending such communications to the chairman of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, SunPower Corporation, 51 Rio Robles, San Jose, California 95134. Stockholders wishing to communicate with a particular Board member, a particular Board committee, or the Board as a whole may send a written communication to our Corporate Secretary, SunPower Corporation, 51 Rio Robles, San Jose, California 95134. The Corporate Secretary will forward such communication to the full Board, to the appropriate committee, or to any individual director or directors to whom the communication is addressed, unless the communication is unduly hostile, threatening, illegal, or harassing, in which case the Corporate Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

Directors' Attendance at Our Annual Meetings

Although we do not have a formal policy that mandates the attendance of our directors at our annual stockholder meetings, our directors are encouraged to attend. All of our directors are expected to attend the 2021 Annual Meeting, and eight of our directors attended our annual meeting of stockholders held on May 14, 2020 (the "2020 Annual Meeting").

Submission of Stockholder Proposals for the 2022 Annual Meeting

As a SunPower stockholder, you may submit a proposal, including director nominations, for consideration at future annual meetings of stockholders.

Stockholder Proposals**.** Only stockholders meeting certain criteria outlined in our Amended and Restated By-Laws (the "By-Laws") are eligible to submit nominations for election to the Board or to propose other proper business for consideration by stockholders at an annual meeting. Under the By-Laws, stockholders who wish to nominate persons for election to the Board or propose other proper business for consideration by stockholders at an annual meeting must give proper written notice to us not earlier than 120 days and not later than 90 days before the first anniversary of the preceding year's annual meeting, provided that in the event that an annual meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the stockholder in order to be timely must be received not later than the close of business on the tenth day following the day on which we mail or publicly announce our notice of the date of the annual meeting, whichever occurs first. Therefore, notices regarding nominations of persons for election to the Board and proposals of other proper business for consideration at the 2022 annual meeting of stockholders must be submitted to us no earlier than January 13, 2022 and no later than February 12, 2022. If the date of the 2022 annual meeting is moved more than 25 days before or after the anniversary date of the 2021 Annual Meeting, the deadline will instead be the close of business on the tenth day following notice of the date of the 2022 annual meeting of stockholders or public disclosure of such date, whichever occurs first. We have discretionary power, but are not obligated, to consider stockholder proposals submitted after February 12, 2022 for the 2022 annual meeting.

Stockholder proposals will also need to comply with SEC regulations, such as Rule 14a-8 of the Exchange Act regarding the inclusion of stockholder proposals in any Company-sponsored proxy material. In order to be included in our proxy materials for the 2022 annual meeting of stockholders, pursuant to Rule 14a-8 of the Exchange Act the submission deadline for stockholder proposals is December 3, 2021. All written proposals must be received by our Corporate Secretary, at our corporate offices at 51 Rio Robles, San Jose, California 95134 by the close of business on the required deadline in order to be considered for inclusion in our proxy materials for the 2022 annual meeting of stockholders.

Recommendation or Nomination of Director Candidates. Our Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders using the same criteria for evaluation of director candidates described above. Such recommendations should be directed to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, SunPower Corporation, 51 Rio Robles, San Jose, California 95134.

For any nomination of director candidates, the stockholder must give notice of a nomination to our Corporate Secretary, and such notice must be received within the time period described above under "*Stockholder Proposals*." Any such nomination proposal must include the following:

- the name, age, business address, residential address, and record address of such nominee;
- the principal occupation or employment of such nominee;
- the class or series and number of shares of our stock owned beneficially or of record by such nominee;
- any information relating to the nominee that would be required to be disclosed in our proxy statement;
- the nominee holder for, and number of, shares owned beneficially but not of record by such person;
- whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement, or understanding (including any derivative or short positions, profit interests, options, or borrowed or loaned shares) has been made, the effect or intent of which is to mitigate loss to or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such person with respect to any share of our stock;
- to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or re-election as a director on the date of such stockholder's notice;
- a description of all arrangements or understandings between or among such persons pursuant to which the nomination(s) are to be made by the stockholder and any relationship between or among the stockholder giving notice and any person acting in concert, directly or indirectly, with such stockholder and any person controlling, controlled by, or under common control with such stockholder, on the one hand, and each proposed nominee, on the other hand; and
- a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice.

If a director nomination is made pursuant to the process set forth above, the Nominating and Corporate Governance Committee will apply the same criteria in evaluating the nominee as it would any other board nominee candidate, and will recommend to the Board whether or not the stockholder nominee should be included as a candidate for election in our proxy statement. The nominee and nominating stockholder should be willing to provide any information reasonably requested by the Nominating and Corporate Governance Committee in connection with its evaluation. The Board will make the final determination whether or not a nominee will be included in the proxy statement and on the proxy card for election.

Once either a search firm selected by the Nominating and Corporate Governance Committee or a stockholder has provided our Nominating and Corporate Governance Committee with the identity of a prospective candidate, the Nominating and Corporate Governance Committee communicates the identity and known background and experience of the candidate to the Board. If warranted by a polling of the Board, members of our Nominating and Corporate Governance Committee and/or other members of our senior management may interview the candidate. If the Nominating and Corporate Governance Committee reacts favorably to a candidate, the candidate is next invited to interview with the members of the Board who are not on the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee then makes a final determination whether to recommend the candidate to the Board for directorship. The Nominating and Corporate Governance Committee currently has not set specific minimum qualifications or criteria for nominees that it proposes for Board membership, but evaluates the entirety of each candidate's credentials. The Nominating and Corporate Governance Committee believes, however, that we will be best served if our directors bring to the Board a variety of diverse experience and backgrounds and, among other things, demonstrated integrity, executive leadership, and financial, marketing, or business knowledge and experience. See "*Board Structure—Nominating and Corporate Governance Committee*" for factors considered by the Nominating and Corporate Governance Committee and the Board in considering director nominees.

Corporate Governance Principles

We believe that strong corporate governance practices are the foundation of a successful, well-run company. The Board has adopted Corporate Governance Principles that set forth our core corporate governance principles, including:

- oversight responsibilities of the Board;
- election and responsibilities of the lead independent director;
- role of Board committees and assignment and rotation of members;
- review of the Code of Business Conduct and Ethics and consideration of related party transactions;
- independent director meetings without management and with outside auditors;
- Board's access to employees;
- annual review of director compensation;
- membership criteria and selection of the Board;
- annual review of Board performance;
- director orientation and continuing education;
- stock ownership guidelines for certain of our executive officers and directors;
- annual review of performance and compensation of executive officers; and
- succession planning for key executive officers.

Our Corporate Governance Principles are available on our website at *http://investors.SunPower.com*.

Code of Business Conduct and Ethics; Related Persons Transactions Policy and Procedures

It is our general policy to conduct our business activities and transactions with the highest level of integrity and ethical standards and in accordance with all applicable laws. In addition, it is our policy to avoid situations that create an actual or potential conflict between our interests and the personal interests of our officers and directors. Such principles are described in our Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics is applicable to our directors, officers, and employees (including our principal executive officer, principal financial officer, and principal accounting officer), as well as to our suppliers, vendors, partners, and other parties that represent us, and is designed to promote compliance with the laws applicable to our business, accounting standards, and proper and ethical business methods and practices. Our Code of Business Conduct and Ethics is available on our website at *http://investors.SunPower.com/corporate-governance/governance-overview* under the tab for "Code of Conduct." You may also request a copy by writing to us at SunPower Corporation, 51 Rio Robles, San Jose, California 95134, Attention: Corporate Secretary. If we amend our Code of Business Conduct and Ethics or grant a waiver applicable to our principal executive officer, principal financial officer, or principal accounting officer, we will post a copy of such amendment or waiver on our website. Under our Corporate Governance Principles, the Audit Committee is responsible for reviewing and recommending changes to our Code of Business Conduct and Ethics.

Pursuant to our Corporate Governance Principles and the charter of our Audit Committee, our Audit Committee will consider questions of actual and potential conflicts of interest (including corporate opportunities) of directors and officers and approve or prohibit such transactions. The Audit Committee will review and approve in advance all proposed related party transactions that would be required to be disclosed under Item 404 of Regulation S-K, in compliance with the applicable Nasdaq Stock Market rules. A related party transaction will only be approved if the Audit Committee determines that it is in our best interests. If a director is involved in the transaction, he or she will be recused from all voting and approval processes in connection with the transaction.

Certain Relationships and Related Persons Transactions

Other than the compensation agreements and other arrangements described herein, and the transactions described below, since the start of our last fiscal year on December 30, 2019, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we have been or will be a party:

- in which the amount involved exceeded or will exceed $120,000; and
- in which any director, director nominee, executive officer, beneficial owner of more than 5% of any class of our common stock, or any immediate family member of such persons had or will have a direct or indirect material interest.

Agreements with Total and Total S.E.

Spin-Off Agreements

On August 26, 2020, we completed the spin-off (the ''Spin-Off'') of Maxeon Solar Technologies, Ltd., a Singapore public company limited by shares (''Maxeon Solar''), consisting of certain non-U.S. operations and assets of our former SunPower Technologies business unit. The Spin-Off was completed by way of a pro rata distribution of all of the then-issued and outstanding ordinary shares, no par value, of Maxeon Solar to holders of record of our common stock (the ''Distribution'') as of the close of business on August 17, 2020.

Immediately after the Distribution and as contemplated by the Investment Agreement entered into among us, Maxeon Solar, Tianjin Zhonghuan Semiconductor Co., Ltd., a PRC joint stock limited company (''TZS''), and for limited purposes set forth therein, Total, Maxeon Solar and TZS completed the previously announced transaction in which Zhonghuan Singapore Investment and Development Pte. Ltd., a Singapore private limited company and an affiliate of TZS, purchased from Maxeon Solar, for $298.0 million, 8,915,692 additional Maxeon Solar shares (the ''TZS Investment''), representing approximately 28.848% of the outstanding Maxeon Solar shares after giving effect to the Spin-Off and the TZS Investment.

In connection with the Spin-Off, and as contemplated by the Separation and Distribution Agreement entered into by us and Maxeon Solar, we and Maxeon Solar entered into certain ancillary agreements that govern the relationships between the Company and Maxeon Solar following the Distribution, including: a tax matters agreement, employee matters agreement, transition services agreement, back-to-back agreement, brand framework agreement, cross license agreement, collaboration agreement, and supply agreement (collectively, the ''Ancillary Agreements''), each as previously described in our announcement of the contemplated transaction.

Revolving Credit Facility with Crédit Agricole and Related Guaranty

On October 29, 2019, we entered into a Green Revolving Credit Agreement (the ''2019 Revolver'') with Crédit Agricole Corporate and Investment Bank (''Credit Agricole''), as lender, with a revolving credit commitment of $55.0 million. The 2019 Revolver contains affirmative covenants, events of default and repayment provisions customarily applicable to similar facilities and has a per annum commitment fee of 0.05% on the daily unutilized amount, payable quarterly. Loans under the 2019 Revolver bear either an adjusted LIBOR interest rate for the period elected for such loan or a floating interest rate of the higher of prime rate, federal funds effective rate, or LIBOR for an interest period of one month, plus an applicable margin, ranging from 0.25% to 0.60%, depending on the base interest rate applied, and each matures on the earlier of April 29, 2021, or the termination of commitments thereunder. Our payment obligations under the 2019 Revolver are guaranteed by Total S.E. up to the maximum aggregate principal amount of $55.0 million. In consideration of the commitments of Total S.E., we are required to pay them a guaranty fee of 0.25% per annum on any amounts borrowed under the 2019 Revolver and to reimburse Total S.E. for any amounts paid by them under the parent guaranty. We have pledged the equity of a wholly-owned subsidiary that holds our shares of Enphase Energy, Inc. common stock to secure our reimbursement obligation under the parent guaranty. We have also agreed to limit our ability to draw funds under the 2019 Revolver to no more than 67% of the fair market value of the common stock held by our subsidiary at the time of the draw.

As of both January 3, 2021 and December 29, 2019, we had no outstanding borrowings under the Revolver. Subsequent to the year ended January 3, 2021, we have terminated our commitments under the 2019 Revolver with Credit Agricole. Consequently, all guarantee agreements were terminated with Total S.E.

Affiliation Agreement

We and Total have entered into an Affiliation Agreement that governs the relationship between Total and us (the ''Affiliation Agreement''). Until the expiration of a standstill period specified in the Affiliation Agreement (the ''Standstill Period''), and subject to certain exceptions, Total, Total S.E., and any of their respective affiliates and certain other related parties (collectively, the ''Total Group'') may not effect, seek, or enter into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning our shares in excess of certain thresholds, or request us or our independent directors, officers, or employees to amend or waive any of the standstill restrictions applicable to the Total Group. The Standstill Period ends when Total holds less than 15% ownership of us.

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

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

The Affiliation Agreement also imposes certain restrictions with respect to the ability of us and our Board 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.

Cooperation Agreement

In December 2020, we entered into a strategic Cooperation Framework Agreement (the ''Cooperation Agreement'') with Total that governs the ongoing relationship between us and Total (a majority owner of SunPower) with respect to development and sale of some future commercial solar power projects. The Cooperation Agreement lays the foundation for the potential of joint development of some projects and allows us and Total to expand investments in solar power projects to provide for future opportunities and investment volume.

Among other things, the Cooperation Agreement provides for –

- our ability to sell projects to Total at pre-agreed model metrics;
- our ability to obtain non-recourse financing of construction costs;
- our ability to obtain financing of development costs as various milestones in the project development cycle are achieved;
- exclusivity over our offering of various post-sale services for projects sold to Total or its affiliates; and
- our right to offer engineering, procurement, and construction (''EPC'') services on some downstream generation projects being developed by Total.

The Cooperation Agreement will remain in effect until December 31, 2023, unless otherwise terminated.

0.875% Debentures Due 2021

In June 2014, we issued $400.0 million in principal amount of our 0.875% debentures due 2021 (the ''0.875% debentures due 2021''). An aggregate principal amount of $250.0 million of the 0.875% debentures due 2021 was initially acquired by Total. Interest is payable on the 0.875% debentures due 2021 semi-annually, beginning on December 1, 2014. The 0.875% debentures due 2021 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 0.875% debentures due 2021 was 20.5071 shares of common stock per $1,000 principal amount of debentures (which was equivalent to an initial conversion price of approximately $48.76 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate was adjusted to 25.1388 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $39.78 per share). The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 0.875% debentures due 2021. If not earlier repurchased or converted, the 0.875% debentures due 2021 mature on June 1, 2021.

We repurchased a portion of our outstanding 0.875% debentures due 2021 in the first and third quarters during fiscal 2020. On November 24, 2020, we announced a tender offer (the ''Offer'') to purchase any and all of our outstanding 0.875% debentures due 2021. On December 23, 2020, we announced the expiration and final results of the Offer. As of the expiration of the Offer, $238.9 million aggregate principal amount of the 0.875% debentures due 2021, representing approximately 79.23% of the total 0.875% debentures due 2021 outstanding, including $193.6 million representing all of the aggregate principal amount of the debentures held by Total, were validly tendered (and not validly withdrawn). We accepted for purchase all Convertible Debentures that were validly tendered (and not validly withdrawn) pursuant to the Offer at the expiration of the Offer at a purchase price equal to $1,000 per $1,000 principal amount of the 0.875% debentures due 2021, plus accrued and unpaid interest.

In aggregate, during the fiscal year ended January 3, 2021, we purchased $337.4 million of aggregated principal amount of the 0.875% debentures due 2021 for cash proceeds of approximately $334.7 million, net. The purchases and early retirements resulted in a gain from extinguishment of debt of approximately $2.2 million in the fiscal year ended January 3, 2021, which represented the difference between the book value of the convertible notes, net of the remaining unamortized discount prior to repurchase and the reacquisition price of the convertible notes upon repurchase. The gain was recorded within ''Other, net'' on the consolidated statement of operations.

4.00% Debentures Due 2023

In December 2015, we issued $425.0 million in principal amount of our 4.00% senior convertible debentures due 2023 (the ''4.00% debentures due 2023''). An aggregate principal amount of $100.0 million of the 4.00% debentures due 2023 was acquired by Total. The 4.00% debentures due 2023 are convertible into shares of our common stock at any time. When issued, the initial conversion rate in respect of the 4.00% debentures due 2023 was 32.7568 shares of common stock per $1,000 principal amount of debentures (which was equivalent to an initial conversion price of approximately $30.53 per share). After giving effect to the Spin-Off, effective September 1, 2020, the conversion rate adjusted to 40.1552 shares of common stock per $1,000 principal amount of debentures (which is equivalent to a conversion price of approximately $24.90 per share), which provides Total the right to acquire up to 4,015,515 shares of our common stock. The applicable conversion rate may further adjust in certain circumstances, including a fundamental change, as described in the indenture governing the 4.00% debentures due 2023.

Joint Solar Projects with Total and Its Affiliates

During fiscal year 2018, in connection with a co-development solar project in Japan among us, Total, and an independent third party, we sold 25% of ownership interests in the co-development solar project to Total, for an immaterial amount of proceeds. We sold the remaining 25% of ownership interest to Total in the nine months ended September 29, 2019, for proceeds of $4.6 million, and recognized a gain of $2.9 million, which is included within ''other, net'' in our consolidated statements of operations for fiscal 2019. Development service revenue of $6.4 million was also recognized during fiscal 2019. We have also agreed to supply solar panels under this arrangement with sales beginning in October 2019 through November 2020. We recognize revenue from these sales consistent with our revenue recognition policy from solar power components.

In connection with a co-development solar project in Chile between us and Total, we sold all of our 50% of ownership interests in the co-development project to Total in fiscal 2019, for proceeds of $14.1 million, and recognized a gain of $11.0 million, which is included within ''other, net'' in our consolidated statements of operations for fiscal 2019.

Supply Agreements

In December 2019, we sold our membership interests in certain project companies to Total Strong, LLC., a joint venture between Total and Hannon Armstrong. We recognized revenue of $6.2 million for sales to this joint venture, which is included within ''Solar power systems, components, and other'' on our consolidated statements of operations for fiscal 2019. During the fiscal year ended January 3, 2021, we recognized revenue of $127.9 million for sales to this joint venture, that included project companies sold in the previous quarters, and continued recognition of EPC revenue for sales in the previous quarters, which is included within ''Solar power systems, components, and other'' on our consolidated statements of operations.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board serves as the representative of the Board with respect to its oversight of:

- our accounting and financial reporting processes and the audit of our financial statements;
- the integrity of our financial statements;
- our internal controls;
- our compliance with legal and regulatory requirements and efficacy of and compliance with our corporate policies;
- the independent registered public accounting firm's appointment, qualifications, and independence;
- the performance of our internal audit function;
- enterprise risk, including privacy and data security risk; and
- our environmental, social, and governance programs.

The Audit Committee also reviews the performance of our independent registered public accounting firm, Ernst & Young LLP, in the annual audit of financial statements and in assignments unrelated to the audit, reviews our independent registered public accounting firm's fees, and pre-approves services to be provided by our independent registered public accounting firm.

The Audit Committee provides the Board such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board. The Audit Committee reviews our financial disclosures and meets privately, outside the presence of our management, with our independent registered public accounting firm. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in our Annual Report on Form 10-K for our fiscal year ended January 3, 2021 with management, including a discussion of the quality and substance of the accounting principles, the reasonableness of significant judgments made in connection with the audited financial statements, and the clarity of disclosures in the financial statements. The Audit Committee reports on these meetings to the Board.

Our management has primary responsibility for preparing our financial statements and for our financial reporting process. In addition, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our independent registered public accounting firm, Ernst & Young LLP, is responsible for expressing an opinion on the conformity of our financial statements to generally accepted accounting principles and the effectiveness of our internal control over financial reporting.

The Audit Committee reports as follows:

(1) The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2020 with our management.

(2) The Audit Committee has discussed with Ernst & Young LLP, our independent registered public accounting firm, the matters required to be discussed by the Public Company Accounting Oversight Board and the SEC.

(3) The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee regarding independence, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP's provision of non-audit services to us is compatible with its independence.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax, and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee (or its chair pursuant to delegated authority) of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that fiscal year, the Audit Committee (or its chair pursuant to delegated authority) must approve the specific service before the independent registered public accounting firm is engaged to perform such services for us.

Based on the review and discussion referred to in items (1) through (3) above, the Audit Committee recommended to the Board, and the Board approved, the inclusion of our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended January 3, 2021, as filed with the SEC.

The foregoing report was submitted by the Audit Committee of the Board and shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933 or the Exchange Act.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Catherine Lesjak, Chair
Thomas McDaniel
Patrick Wood III

DIRECTOR COMPENSATION

The following table sets forth a summary of the compensation we paid to our non-employee directors for fiscal 2020. The table does not include Mr. Werner, who did not receive separate compensation for his service on the Board given his position as SunPower's chief executive officer.

2020 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)(4)	Total ($)
Total-designated members of the Board (1)	—	—	—
Catherine Lesjak	80,000	275,016	355,016
Thomas McDaniel	80,000	275,016	355,016
Patrick Wood III	100,000	275,016	375,016

(1) The Total-designated members of the Board include François Badoual, Julien Pouget, Denis Toulouse, Franck Trochet, and Laurent Wolffsheim. Thomas Rebeyrol, a former Total-designated member of the Board, resigned on February 10, 2021 and was replaced by Mr. Wolffsheim.

(2) The amounts reported in this column represent the aggregate cash retainers received by the non-employee directors for fiscal 2020, but do not include amounts reimbursed to the non-employee directors for expenses incurred in connection with attending Board and committee meetings. These amounts represent a temporary reduction of fees effective April 1, 2020. At the directors' request and upon approval by the Compensation Committee, outside director fees were temporarily reduced by 50% from April 2020 through September 2020 in response to exceptional circumstances presented by the COVID-19 pandemic and associated economic impacts.

(3) The amounts reported in this column represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board (''FASB'') Accounting Standards Codification (''ASC'') Topic 718 for restricted stock units granted to our non-employee directors in fiscal 2020. See Note 17 to our consolidated financial statements in our 2020 Annual Report for details as to the assumptions used to determine the aggregate grant date fair value of these awards. Restricted stock units are fully vested on the date of grant. Each of Ms. Lesjak, Mr. McDaniel, and Mr. Wood were granted 26,773 restricted stock units during fiscal 2020.

(4) As of January 3, 2021, no non-employee directors held stock awards or stock options.

2020 Director Compensation Program

Our outside director compensation policy provides for the compensation set forth below for our non-employee directors, other than the Total-designated directors:

- an annual fee of $300,000 ($99,000 in cash ($24,750 quarterly) and the remaining portion in the form of fully vested restricted stock units) for our non-employee directors (other than the chairman of the Board) for service on the Board and on Board committees;
- if our chairman is an independent director, an annual fee of $450,000 ($112,500 quarterly in the form of restricted stock units) to our chairman of the Board for service on the Board and on Board committees; and
- an additional annual fee of $25,000 ($6,250 quarterly) to the lead independent director.

The Compensation Committee assessed the competitiveness of director compensation compared to the same compensation peers used to assess named executive officer compensation.

As part of its assessment, the Compensation Committee also considered the relative workload and responsibilities borne by the independent directors, which we believe are higher than many other public companies for a number of reasons, including the fact that we have a controlling stockholder, that there are relatively fewer independent directors on the Board, and that each of them serves on, or chairs, multiple committees. We review director pay on an annual basis to monitor for changes in competitive pay levels and workload and responsibilities.

Our policy provides that these annual fees are prorated on a quarterly basis for any director that joins the Board during the year. The $25,000 additional fee payable to the lead independent director is paid in cash. All fees payable to the chairman of the Board are paid in the form of restricted stock units. The annual fees payable to our other non-employee directors are paid on a quarterly basis, 33% in cash on or about the date of the quarterly Board meeting and 67% in the form of fully-vested restricted stock units on the eleventh day in the second month of each quarter (or on the next trading day if such day is not a trading day). The number of restricted stock units is calculated by dividing the aggregate dollar value of the amount payable for the quarter by the closing price of the common stock on the eleventh day of the second month of such quarter or the first trading date immediately thereafter, if such day falls on a weekend or holiday. Any fractional shares resulting from this calculation are rounded up to a full share. The restricted stock units are settled in shares of our common stock within seven days of the date of grant. Because Mr. Werner is our chief executive officer, he is not separately compensated for his service as chairman of the Board. Similarly, because each of our Total-designated directors do not qualify as independent directors under our director compensation policy, such individuals receive no director compensation.

Stock Ownership Guidelines

We have stock ownership guidelines for our chief executive officer, certain executive officers, and non-employee directors. Under the guidelines and subject to certain exceptions, non-employee directors are expected to own shares of our common stock that have a value equal to five times the annual cash retainer they receive for serving on the Board, with ownership measured at the end of each calendar year. Each non-employee director is expected to maintain ownership at or above the threshold applicable to them beginning five years after first becoming subject to the guidelines. Shares may be owned directly by the individual, owned by the individual's spouse, or held in trust for the benefit of the individual's family. Although the non-employee directors were required to satisfy the stock ownership guidelines beginning five years after their implementation in 2015, they each already owned stock with a value in excess of the guidelines as of the end of 2020.

PROPOSAL TWO

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, we are asking our stockholders to again vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules.

As described in detail under the headings "*Compensation Discussion and Analysis*" and "*Executive Compensation*," we have adopted an executive compensation philosophy designed to deliver competitive total compensation to our executive officers upon the achievement of financial and strategic performance objectives. In order to implement that philosophy, the Compensation Committee has established a disciplined process for adopting executive compensation programs and individual executive officer pay actions that includes the analysis of competitive market data, a review of each executive officer's role, performance assessments, and consultation with the Compensation Committee's independent compensation consultant. Please read the "*Compensation Discussion and Analysis*" and "*Executive Compensation*" sections for additional details about our executive compensation programs, including information about the fiscal 2020 compensation of our named executive officers.

2020 Compensation Features. Our compensation programs are intended to attract, retain, and reward executive officers who contribute to SunPower's success and to align their pay outcomes with the Company's short-term and long-term performance. The Compensation Committee annually reviews the compensation programs for our named executive officers to ensure they achieve the desired goals. In fiscal 2020, among the program features incorporated by the Compensation Committee to implement the executive compensation philosophy stated above are the following:

- Actual payouts under our performance-based cash bonus programs (specifically, the 2020 Executive Semi-Annual Incentive Bonus Plan) for our named executive officers were determined based on performance against a number of objectives: certain strategic business restructuring metrics, non-GAAP EBITDA, and adjusted cash from operations metrics.[1] In addition to the foregoing, corporate milestone performance targets, a safety modifier based on company safety performance, and individual modifiers were assigned based on performance in those areas.
- Our Compensation Committee exercised discretion to reduce the actual bonus amounts paid to our named executive officers by 65% in response to the COVID-19 pandemic and in order to conserve our cash resources.
- Long-term incentives in the form of time- and performance-based restricted stock units comprised a large portion of each named executive officer's compensation and are linked to the long-term performance of our stock. Restricted stock units generally vest over four years, and performance-based restricted stock units are earned only after the achievement of corporate performance targets and also generally vest over a four-year period.
- Earning performance-based restricted stock units depends on the achievement of performance targets corresponding to certain strategic initiative metrics, our non-GAAP EBITDA, and adjusted cash from operations metrics.
- Individual performance was also measured for each half of the fiscal year based on each named executive officer's achievement of his or her personal key results, annual objectives, and adherence to company values, which support our corporate, strategic, and operational milestones, as evaluated by our chief executive officer (or, in the case of our chief executive officer, by the Board) in connection with the assignment of an individual modifier to each named executive officer.
- Our change of control severance agreements do not entitle our named executive officers to payment without termination of employment following a change of control (a "double trigger").

Our financial and operational performance was the key factor in the compensation decisions and outcomes for fiscal 2020, as further described in the "*Compensation Discussion and Analysis*" and "*Executive Compensation*" sections. One of the core tenets of our executive compensation philosophy is our emphasis on performance-based pay.

[1] Non-GAAP revenue is a non-GAAP financial measure. See Appendix A, *"Use of Non-GAAP Financial Measures."*

As highlighted in the Compensation Components chart in the ‘‘*Compensation Discussion and Analysis*’’ section, in fiscal 2020, a large portion of our named executive officers’ target compensation (66% for our chief executive officer and averaging 75% for our other named executive officers) consisted of performance-based pay in the form of semi-annual incentive bonus programs and long-term equity incentives.

We are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. This proposal, commonly known as a ‘‘say-on-pay’’ proposal, gives our stockholders the opportunity to express their views on our named executive officers’ compensation. This vote is not intended to address any specific compensation item, but rather the overall compensation of our named executive officers and the philosophy, policies, and practices described in this proxy statement. Accordingly, the Board recommends that our stockholders vote ‘‘FOR’’ the following resolution at the Annual Meeting:

> ‘‘RESOLVED, that, on an advisory basis, the compensation of SunPower’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and related narratives and descriptions in SunPower’s proxy statement for the Annual Meeting, is hereby APPROVED.’’

Vote Required

The non-binding advisory vote on named executive officer compensation requires the affirmative vote of the holders of a majority of our stock having voting power and in attendance or represented by proxy at the Annual Meeting. ‘‘Broker non-votes’’ have no effect and will not be counted towards the vote total for this proposal. Abstentions will have the effect of votes against this proposal.

Although the say-on-pay vote is advisory, and therefore not binding on us, the Compensation Committee, or the Board, the Board and our Compensation Committee value the opinions of our stockholders. To the extent there is any significant vote against our named executive officers’ compensation as disclosed in this proxy statement, we expect to consider our stockholders’ concerns and the Compensation Committee expects to evaluate whether any actions are necessary to address those concerns.

THE BOARD RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC, ON A NON-BINDING, ADVISORY BASIS.

EXECUTIVE OFFICERS

Biographical information for our executive officers, other than Mr. Werner, is listed below. As described above, Mr. Werner will retire from his position, effective April 19, 2021, and Peter Faricy will succeed him as our president and chief executive officer, effective on the same day. Biographical information for Mr. Werner, who is both a director and an executive officer of the Company, can be found in the section entitled ‘‘*Proposal One—Re-Election of Class I Directors.*’’

Name	Age	Position
Thomas Werner	61	President, Chief Executive Officer, and Chairman of the Board
Manavendra Sial	44	Executive Vice President and Chief Financial Officer
Kenneth Mahaffey	52	Executive Vice President, General Counsel, Chief Ethics and Compliance Officer, and Corporate Secretary
Douglas Richards	62	Executive Vice President, Administration
Jeffrey Waters	56	Chief Executive Officer, SunPower Technologies

Manavendra Sial has served as our executive vice president and chief financial officer since May 2018, leading the Company’s treasury, project finance, investor relations, financial planning, and accounting organizations. Previously, he served as the chief financial officer for VECTRA, a $1 billion technology-driven diversified industry business, which was a portfolio company of certain funds managed by affiliates of Apollo Global Management, LLC. Prior to VECTRA, Mr. Sial was with SunEdison in various global finance and operations leadership roles from 2011 to 2015, including chief financial officer of MEMC’s solar energy and materials divisions. He also spent 11 years with General Electric (GE) in a variety of roles, from FP&A leader for the Energy Services unit to chief financial officer of power delivery for GE’s Transmission and Distribution group. He earned his master’s degree in business administration from Duke University’s Fuqua School of Business and his Bachelor of Commerce from Delhi University in India.

Kenneth Mahaffey is our executive vice president, general counsel, chief ethics and compliance officer, and corporate secretary, with responsibility for our global legal organization. Mr. Mahaffey joined our company in 2006 as a founding member of our legal department. During his tenure, Mr. Mahaffey has managed attorneys and professionals around the globe who handle all legal, contract, regulatory, and compliance matters in support of our business segments. He has also provided lead support for our corporate functions, including finance, mergers and acquisitions, marketing, policy, and communication. Mr. Mahaffey has deep expertise in renewable energy law, finance, corporate governance, and compliance matters. Before joining SunPower, he worked as an attorney in private practice managing a variety of commercial and litigation matters. Mr. Mahaffey has a Bachelor of Arts degree from University of California, San Diego, and a Juris Doctor degree from McGeorge School of Law, University of the Pacific.

Douglas Richards has served as our executive vice president, administration, since November 2011. From April 2010 to October 2011, Mr. Richards served as our executive vice president, human resources and corporate services. From September 2007 to March 2010, Mr. Richards served as our vice president, human resources and corporate services. From 2006 to 2007, Mr. Richards was vice president of human resources and administration for SelectBuild, a construction services company and a wholly owned subsidiary of BMHC, and from 2000 to 2006, Mr. Richards was senior vice president of human resources and administration for BlueArc, a provider of high-performance unified network storage systems to enterprise markets. Before BlueArc, Mr. Richards spent 10 years at Compaq Computer Corporation and five years at Apple Computer, Inc. in various management positions. Mr. Richards graduated from California State University, Chico, with a Bachelor of Arts degree in public administration.

Jeffrey Waters led our SunPower Technologies business unit prior to the spin-off of Maxeon Solar Technologies, Ltd. from SunPower, which included our global manufacturing, research and development, and SunPower Solutions group. An experienced global business, operations and sales leader, he joined our company in January 2019 from Isola, where he worked from Silicon Valley as the company’s president and chief executive officer. Prior to Isola, Mr. Waters was senior vice president and general manager of Altera Corporation and also held a variety of executive positions with Texas Instruments/National Semiconductor in both the U.S. and Japan for 18 years, including in global sales. Mr. Waters holds a bachelor's degree in engineering from the University of Notre Dame, a master's degree in engineering from Santa Clara University, and a master's degree in business administration from Northwestern University.

Mr. Faricy, age 54, who will serve as our president and chief executive officer following Mr. Werner's retirement, served as Chief Executive Officer, Global Direct-to-Consumer, of Discovery Inc. from September 2018 to August 2020, overseeing businesses including Discovery+, Food Network Kitchen, Magnolia, Eurosport Player, and GOLFTV. Prior to Discovery, Mr. Faricy spent 13 years with Amazon.com, Inc., most recently as Vice President leading the Amazon Marketplace from January 2009 to September 2018. From July 2006 to January 2009, he served as Amazon's Vice President, Music and Movies. Prior to Amazon, Faricy held management roles at Borders Group, Ford Motor Company, and McKinsey & Co. He received his MBA with distinction from the University of Michigan and his BA in Business Administration from Michigan State University. Since October 2020, Mr. Faricy has served on the board of directors of Blue Apron Holdings, Inc., and since 2013 he has also served on the University of Michigan Ross School of Business Advisory Board.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides a detailed review and analysis of our compensation policies and programs that applied to our named executive officers during the fiscal year ended January 3, 2021. Our named executive officers, as set forth in the following table, were our president and chief executive officer, our chief financial officer, the next two most highly compensated executive officers serving as of January 3, 2021, and a former executive officer who was not serving in such role as of January 3, 2021 but whose total compensation for fiscal year 2020 would have made him one of the three most highly compensated executive officers. As of January 3, 2021, we had four executive officers as defined in Rule 3b-7 under the Exchange Act.

Name	Title
Thomas Werner	President and Chief Executive Officer
Manavendra Sial	Executive Vice President and Chief Financial Officer
Kenneth Mahaffey	Executive Vice President, General Counsel, Chief Ethics and Compliance Officer, and Corporate Secretary
Douglas Richards	Executive Vice President, Administration
Jeffrey Waters[1]	Chief Executive Officer, SunPower Technologies

(1) Mr. Waters served as our Chief Executive Officer, SunPower Technologies until the Spin-Off of Maxeon Solar Technologies, Ltd. on August 26, 2020.

Executive Summary

Our compensation programs are intended to align our named executive officers' interests with those of our stockholders by rewarding performance that meets or exceeds the goals that the Compensation Committee establishes, with the ultimate objective of increasing stockholder value. We have adopted an executive compensation philosophy designed to deliver competitive total compensation upon the achievement of financial and strategic performance objectives. The total compensation received by our named executive officers varies based on corporate and individual performance, as measured against performance goals. Therefore, a significant portion of each named executive officer's total pay is tied to Company performance (see the ''*2020 Compensation Components*'' chart below).

In fiscal 2020, our key strategic initiative was the spin-off of Maxeon Solar Technologies, Ltd. (the ''Spin-Off''), and this was reflected in our performance-based compensation metrics for the year, including both our financial and strategic initiative metrics and goals. We successfully completed the Spin-Off despite the challenges presented by the COVID-19 pandemic, and executed well against our financial targets. In the first half of fiscal 2020, we achieved $4.92 million in SunPower adjusted EBITDA, $(73.7) million in SunPower adjusted cash from operations, $0.4 million in combined adjusted EBITDA, and $(149.5) million in combined adjusted cash from operations, exceeding our maximum performance level for SunPower and combined profitability, achieving between target and maximum performance level for combined EBITDA, and achieving between the minimum and target performance level for combined cash generation. In the second half of fiscal 2020, we achieved $52.8 million in adjusted EBITDA and $(10.2) million in adjusted cash from operations, exceeding our minimum performance level for profitability and falling short of our minimum performance level for cash generation.

Our strategic goals in fiscal year 2020 were focused on achieving a successful Spin-Off from a timing and cost management perspective. From a timing perspective, we exceeded the minimum result, but fell short of the target, and from a cost management perspective, we exceeded the maximum. Due to the overall success of the Spin-Off and in light of unanticipated difficulties, including those related to the COVID-19 pandemic, the Compensation Committee used its discretion to adjust attainment of the timing metric to the target for the purposes of certain components of executive compensation, as discussed below. As a further response to the COVID-19 pandemic and in order to preserve our cash resources, the Compensation Committee applied its discretion to reduce the bonuses paid to our named executive officers in respect of the first half of fiscal 2020 by 65%.

For fiscal 2020, our financial performance and achievement of our strategic goals, including the Spin-Off, along with the impact and potential impact of the COVID-19 pandemic, were the key factors in the compensation decisions and outcomes for the year, consistent with our commitment to pay for performance and the commitment of the Compensation Committee and our management team to corporate stewardship. Highlights of our named executive officer compensation program in 2020 were as follows:

- **Commitment to pay for performance.** A significant majority of our named executive officers' target compensation (66% for our chief executive officer and an average of 75% for our other named executive officers) consisted of semi-annual bonus programs and long-term equity incentives.
- **Cash bonus payouts below target.** Our semi-annual bonus program incorporated financial metrics that we believe align our compensation practices with our business goals and, correspondingly, align executives' interests with stockholders' interests. Achievement of performance targets related to our adjusted EBITDA and adjusted cash from operations, together with achievement of our strategic objectives, corporate milestone performance targets, safety performance, and individual modifiers assigned based on individual performance, determined the actual payouts under our performance-based cash bonus programs (specifically, the Amended and Restated Executive Semi-Annual Incentive Bonus Plan, which we refer to as our Executive Semi-Annual Plan) for our named executive officers. Our overall corporate performance in fiscal 2020, as adjusted in connection with our COVID-19 response as described below, resulted in aggregate cash bonus awards under these programs at approximately 54.8%. Performance metrics, thresholds, and targets are further described below in "*Executive Compensation—Non-Equity Incentive Plan Compensation*."
- **COVID-19 response**. In response to the uncertainty created by the COVID-19 pandemic and in an effort to preserve cash resources, the Compensation Committee reduced payouts under our semi-annual bonus program by 65% for the first half of fiscal 2020.
- **Performance-based restricted stock units achieved below target.** Performance-based restricted stock units granted in 2020 to each of our named executive officers were only earned if we achieved performance targets for our adjusted EBITDA and adjusted cash from operations metrics, together with achievement of our strategic objectives. Performance with respect to our strategic objectives, as averaged, exceeded target performance levels but fell short of maximum performance levels. First half financial goals, as averaged, exceeded target performance levels but fell short of maximum performance levels. With respect to second half financial goals, we exceeded target performance levels but fell short of maximum performance level for adjusted EBITDA and fell short of minimum performance levels for adjusted cash from operations. Combined, our corporate performance in fiscal 2020 resulted in 89.1% of these equity awards being earned. Performance metrics, thresholds, and targets are further described below in "*Executive Compensation—Equity Incentive Plan Compensation*."

At our 2020 annual meeting of stockholders, our stockholders voted to approve, on an advisory basis, the compensation of our named executive officers, as disclosed in the proxy statement for that meeting. We refer to this vote as our say-on-pay vote. Our Compensation Committee considered the results of the say-on-pay vote (which received approximately 98% approval of the votes cast) at its meetings after the say-on-pay vote when it set annual executive compensation. After our Compensation Committee reviewed the stockholders' approval of the say-on-pay vote in 2020, our Compensation Committee decided to maintain the general framework of our fiscal 2019 compensation policies and programs for our named executive officers in fiscal 2020, with certain modifications, including the introduction of performance metrics in our Executive Semi-Annual Plan and equity awards focused on achievement of certain key strategic initiatives, as the Committee believed such programs continued to be in the best interest of our stockholders.

The following discussion should be read together with the information we present in the compensation tables, the footnotes and narratives to those tables, and the related disclosure appearing in "*Executive Compensation*" below.

General Philosophy and Objectives

In fiscal 2020, we continued to operate a compensation program designed primarily to reward our named executive officers based on our financial performance and the achievement of corporate objectives consistent with increasing long-term stockholder value. Our 2020 executive compensation program was based on the following primary objectives:

- to attract, retain, and reward executive officers who contribute to our success; and
- to align compensation programs with our short- and long-term performance.

In order to implement our philosophy, the Compensation Committee has a disciplined process for adopting executive compensation programs and individual executive officer pay actions that includes the analysis of competitive market data, a review of each executive officer's role, performance assessments, and consultation with the Compensation Committee's independent compensation consultant, as described below. The Compensation Committee also retains discretion to adjust payouts when it determines it is necessary or appropriate.

We believe the mix of base salary, performance-based cash awards, and time-based and performance-based equity awards provides proper incentives without encouraging excessive risk-taking and that the risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our company.

Compensation Setting Process

The Compensation Committee is responsible for managing the compensation of our executive officers, including our named executive officers, in a manner consistent with our compensation philosophy. In accordance with the "controlled company" exception under the applicable listing standards of The Nasdaq Stock Market, our Compensation Committee is composed of two independent directors and two directors designated by our controlling stockholder, Total. We also have a Section 16 Subcommittee of the Compensation Committee consisting solely of independent directors available to approve certain compensation matters in accordance with Rule 16b-3 of the Exchange Act.

The Compensation Committee establishes our compensation philosophy and objectives and annually reviews and, as necessary and appropriate, adjusts each named executive officer's compensation. The Compensation Committee offered our named executive officers total target compensation opportunities ranging from below the 25^{th} percentile to median of our peer group of companies (as further described below) during fiscal 2020. In general, the Compensation Committee's philosophy is to set total target compensation between the 50^{th} percentile and 75^{th} percentile of market competitive pay levels. Individual named executive officer compensation may be above or below this range based on experience, scope of position, individual performance, and total direct compensation (TDC) target relative to the competitive market analysis.

When determining appropriate compensation for the named executive officers, the Compensation Committee considered the advice of an independent compensation consultant, recommendations from management and internal compensation specialists, practices of companies within our peer group, our performance, our business plan, and individual performance. As part of this process, the compensation consultant prepared a competitive analysis of our compensation program, and management presented its recommendations regarding base salary, time- and performance-based equity awards, and performance targets under our Semi-Annual Bonus Plan to the Compensation Committee for its review and consideration. The Compensation Committee accepts, rejects, or accepts as modified, management's various recommendations regarding compensation for the named executive officers other than our chief executive officer. The Compensation Committee also approves, after modification, management's recommendations on various performance targets and milestones. The Compensation Committee met without our chief executive officer when reviewing and establishing his compensation.

Compensation Consultant

In fiscal 2020, the Compensation Committee directly engaged and retained Semler Brossy, a compensation consulting firm, as its compensation consultant. The Compensation Committee selected Semler Brossy based on its experience and familiarity with the technology industry after initially soliciting and reviewing proposals from a number of firms in 2018, when it first engaged Semler Brossy.

In fiscal 2020, Semler Brossy advised the Compensation Committee in connection with evaluating our compensation practices, developing and implementing our executive compensation program and philosophy, establishing total compensation targets, setting specific compensation components to reach the determined total compensation targets for fiscal 2020, and reviewing and providing input on director pay. Semler Brossy did not provide any services to us other than advising the Compensation Committee and management, at the direction of the Compensation Committee, on executive compensation and director pay issues. The Compensation Committee has considered and assessed all relevant factors, including, but not limited to, those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act, that could give rise to a potential conflict of interest with respect to the compensation consultants described above. Based on this review, the Compensation Committee determined that no material conflict of interest has been raised by the work performed by Semler Brossy.

Peer Group and Benchmarking Practices

Each year the Compensation Committee reviews and approves a peer group that its independent compensation consultant, Semler Brossy, uses as part of its annual assessment of competitive compensation levels and program design elements for our named executive officers.

In anticipation of the Spin-Off, the Compensation Committee established two peer groups that would be used to help inform fiscal 2020 compensation decisions in anticipation of operating as two independent companies following the Spin-Off. For post-spin SunPower, the peer group was established primarily with reference to companies in the technology, energy, and utilities industries that focus on technology solutions for end users, companies with asset-light business models, companies that have a mix of business-to-business and business-to-consumer sales, and companies that have revenues of one-third to three times anticipated post-spin SunPower revenues. For Maxeon Solar Technologies, Ltd. (Maxeon), the peer group was established primarily with reference to companies in the technology industry competing for key talent, companies with manufacturing capabilities, and companies that have revenues of one-third to three times anticipated post-spin Maxeon revenues.

The Compensation Committee considered each of these specific criteria and in July 2020, established the two peer groups. The Compensation Committee believes the characteristics of both fiscal 2020 peer groups capture, in aggregate, the core business models as close as possible of the two post-spin entities. The companies included in each peer group are listed below:

<u>SunPower</u>

- Alarm.com Holdings, Inc.
- Ameresco, Inc.
- Arlo Technologies, Inc.
- Bloom Energy Corp.
- EchoStar Corp.
- Enphase Energy, Inc.
- ePlus, Inc.
- FLIR Systems, Inc.
- Gogo, Inc.
- IES Holdings, inc.
- Itron, Inc.
- PC Connection, Inc
- SolarEdge Technologies, Inc.
- Spark Energy, Inc
- Sunrun, Inc
- Synaptics Inc
- TransAlta Corp.
- Viasat, Inc.
- Viavi Solutions, Inc
- Vivint Solar, Inc.[1]

<u>Maxeon Solar Technologies, Ltd.</u>

- Advanced Energy Industries
- Alpha and Omega Semiconductor
- AVX Corp.[1]
- Bel Fuse, Inc.
- Bloom Energy Corp.
- Cree, Inc.
- Diodes, Inc.
- EnerSys
- First Solar, Inc.
- FormFactor, Inc.
- Generac Holdings, Inc.
- IPG Photonics Corp.
- Littelfuse, Inc.
- Lumentum Holdings, Inc.
- MACOM Technology Solutions
- Novanta, Inc.
- Plantronics, Inc.
- Powell Industries, Inc.
- Rogers Corp.
- Semtech Corp.
- SMART Global Holdings, Inc.
- Teradyne, Inc.

(1) Both AVX Corp. and Vivint Solar, Inc. were acquired following our peer group review.

In addition to peer group data, the Compensation Committee also reviewed pay information from the Radford Technology Survey, where relevant. In general, the Compensation Committee evaluates base salaries relative to the 50th percentile of the market and between 50th and 75th percentiles of the market for other pay components. Positioning against the market data may be higher or lower based on individual-specific factors such as individual performance, experience, scope of responsibilities, and company performance.

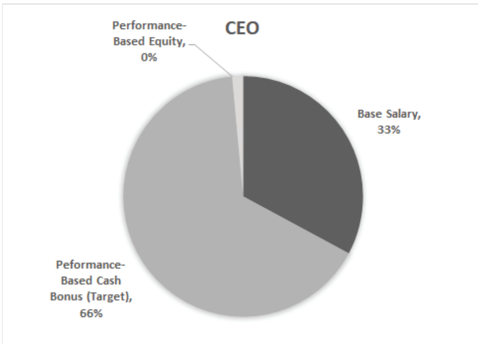
2020 Compensation Components

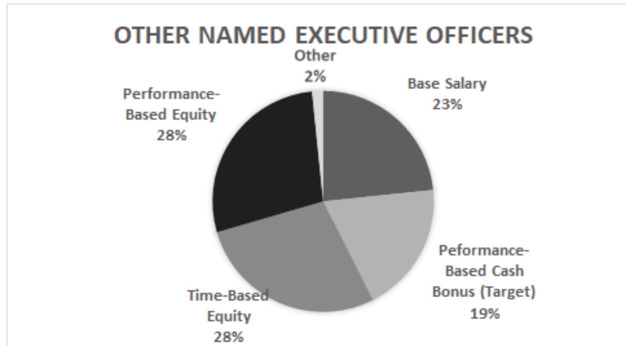
For fiscal 2020, the Compensation Committee allocated total compensation among various pay elements consisting of base salary, performance-based cash bonus awards, time-based equity awards, performance-based equity awards, and perquisites and other compensation. The table below provides an overview of each element of compensation and is followed by a further discussion and analysis of the specific decisions that we made for each element for fiscal 2020:

Compensation Component	Objective and Basis	Form	Practice
Base salary	Fixed compensation that is set at a competitive level for each position to reward demonstrated experience and skills.	Cash	Base salaries are generally established around the 50th percentile of competitive market data, with consideration for experience and scope of role relative to comparable positions in one peer group.
Performance-based cash bonus awards	Semi-annual incentives that drive our performance and align executives' interests with stockholders' interests.	Cash	Target incentives are set as a percentage of base salary and are set between the 50th percentile and the 75th percentile. Actual payment is calculated based on achievement of corporate and individual goals.
Time-based equity awards	Long-term incentive that aligns executives' interests with stockholders' interests and helps retain executives through long-term vesting periods.	Restricted stock units	Target equity awards (time-based plus performance-based) are generally set between the 50th percentile and the 75th percentile.
Performance-based equity awards	Long-term incentive that focuses and rewards our performance and aligns executives' interests with stockholders' interests and helps retain executives through long-term vesting periods.	Performance-based restricted stock units	Target equity awards (time-based plus performance-based) are generally set between the 50th percentile and the 75th percentile. Actual payment is calculated based on achievement of corporate goals.
Employee benefits, severance and other compensation	Offered to attract and retain talent and to maintain competitive compensation packages.	Various	Named executive officers are eligible to participate in health and welfare benefits and 401(k) matching available to all employees. Newly hired executive officers may receive relocation assistance, one-time signing bonuses, or other similar payments to attract them to join our company. They are also eligible for certain severance benefits pursuant to their employment agreements and our 2019 Management Career Transition Plan, as amended to date. We generally do not provide any special perquisites to our named executive officers.

The relative proportion of each element for fiscal 2020, as set forth below, was based generally on the Compensation Committee's comparison of compensation that we offered our named executive officers against compensation offered by peer group companies to their named executive officers, the tax and accounting consequences of certain types of equity compensation, and a desire to allocate a higher proportion of total compensation to performance-based and equity incentive awards.

2020 Compensation Components





Analysis of Fiscal 2020 Compensation Decisions

Base Salary. For fiscal 2020, the Compensation Committee chose not to adjust the base salaries of any of its named executive officers, following adjustments to the base salaries of Mr. Sial, Mr. Mahaffey, and Mr. Richards in fiscal 2019, after taking into account market data, executive officer performance and experience in their role, and the executive's scope of responsibility in comparison to comparable positions at our peer group companies.

The table below sets forth the salaries in effect in fiscal 2020 compared with the salaries in effect in fiscal 2019 for each of our named executive officers:

Name	2019 Annual Base Salary ($)(1)	2020 Annual Base Salary ($)(2)
Thomas Werner	600,000	600,000
Manavendra Sial	435,000	435,000
Kenneth Mahaffey	335,000	335,000
Douglas Richards	380,000	380,000
Jeffrey Waters(3)	600,000	600,000

(1) These amounts represent 2019 annual base salaries effective after April 1, 2019.

(2) These amounts represent 2020 annual base salaries effective after April 1, 2020. At management's request and upon approval by the Compensation Committee, base salaries were temporarily reduced in response to exceptional circumstances presented by the COVID-19 pandemic and associated economic impacts as follows: (i) reduction of 30% for Mr. Werner and Mr. Waters and a reduction of 25% for the other named executive officers effective March 30, 2020, (ii) reduction of 50% for Mr. Werner and Mr. Waters and a reduction of 35% for the other named executive officers effective April 20, 2020, (iii) return to 30% reduction for Mr. Werner and Mr. Waters and 25% for the other named executive officers effective July 27, 2020, (iv) return to 100% base salary for all named executive officers effective September 24, 2020.

(3) Mr. Waters served as our Chief Executive Officer, SunPower Technologies until the Spin-Off of Maxeon Solar Technologies, Ltd. on August 26, 2020.

Performance-Based Cash Bonus Awards. In fiscal 2020, following the redesign of our performance-based cash bonus program in 2019, we maintained one umbrella performance-based cash bonus program, our 2020 Executive Semi-Annual Incentive Bonus Program under our Executive Performance Bonus Plan (referred to as our Semi-Annual Bonus Plan), in order to link bonus payments to semi-annual corporate financial goals, operational objectives, and individual performance. Under the Semi-Annual Bonus Plan, in order to reflect our strategic goal of accomplishing the Spin-Off, we adopted two programs: (i) the 2020 New SunPower Executive Semi-Annual Bonus Program (which we refer to as the SunPower Executive Bonus Program) and (ii) the 2020 Maxeon Solar Executive Semi-Annual Bonus Program (which we refer to as the Maxeon Executive Bonus Program). All of our named executive officers, with the exception of Mr. Waters, participated in the SunPower Executive Bonus Program, and Mr. Waters was our only named executive officer to participate in the Maxeon Executive Bonus Program. Due to the

Spin-Off of Maxeon Solar Technologies, Ltd. on August 26, 2020, the Maxeon Executive Bonus Program was terminated. Both programs are discussed in more detail below.

The supplemental table below entitled "*Estimated Possible Payouts Under Semi-Annual Bonus Plan*" sets forth each named executive officer's target and maximum payout opportunities under the Semi-Annual Bonus Plan. Under the terms of each bonus program, failure to achieve certain corporate or individual metrics could have resulted in zero payouts to an individual for a given period. The column entitled "*2020 Total Non-Equity Incentive Plan Compensation*" in our 2020 Summary Compensation Table below and the footnotes thereto detail the actual payouts awarded under this bonus plan to each named executive officer for fiscal 2020.

Estimated Possible Payouts Under Semi-Annual Bonus Plan

Name	2020 Semi-Annual Bonus Plan Target (Aggregate) ($)(2)	2020 Semi-Annual Bonus Plan Maximum (Aggregate) ($)
Thomas Werner	1,200,000	2,475,000
Manavendra Sial	391,500	807,469
Kenneth Mahaffey	251,250	518,203
Douglas Richards	304,000	627,000
Jeffrey Waters(1)	750,000	1,546,875

(1) On August 26, 2020, concurrent with the Spin-Off, Mr. Waters left the Company's employment, and the Maxeon Executive Bonus plan was terminated. Target and maximum possible payout are shown at an annualized rate. Actual payouts were for the first half of fiscal 2020 only.

(2) Because we generally set base salaries for our executive officers at the 50th percentile of the market of salaries for executive officers in similar positions and with similar responsibilities at comparable companies, we rely on performance-based cash bonus awards to elevate target total cash compensation to between the 50th percentile and the 75th percentile.

For fiscal 2020, the Compensation Committee maintained target payout levels under these programs at the same percentage of annual salary for each of our named executive officers, after it evaluated the market data, individual performance, and the scope of the named executive officer roles.

Name	2019 Total Target Payout (including Annual and Semi-Annual Programs) as Percentage of Annual Salary(2)	2020 Total Target Payout (Semi-Annual Programs) as Percentage of Annual Salary
Thomas Werner	200%	200%
Manavendra Sial	90%	90%
Kenneth Mahaffey	75%	75%
Douglas Richards	80%	80%
Jeffrey Waters(1)	125%	125%

(1) On August 26, 2020, concurrent with the Spin-Off, Mr. Waters left the Company's employment, and the Maxeon Executive Bonus plan was terminated. Target and maximum possible payout are shown at an annualized rate. Actual payouts were for the first half of fiscal 2020 only.

(2) Actual bonus payments for each named executive officer under the Semi-Annual Bonus Plan are formula-driven, and the formulas are used to calculate actual bonus payments. See "*Executive Compensation—Non-Equity Incentive Plan Compensation*" below for more information about these formulas.

In fiscal 2020, we used semi-annual adjusted EBITDA and adjusted cash from operations metrics and introduced strategic initiative metrics, including Spin-Off transaction timing and separation costs, which we believe to be reflective of the results of our operations. We continued the use of a safety modifier for each half of the year, based on our annual Total Recordable Injury Rate (TRIR). TRIR is a measurement of the total number of fatalities, permanent disability cases, occupational lost-time accidents, restricted work cases, and medical treatments divided by the number of worked hours, and then multiplied by 1 million. Total payout factors under our semi-annual bonus programs were subject to modification, capped at +10% or –10%, based on achievement with respect to our TRIR target in each half of the year. Additionally, we continued to use the modifier for each half of the year, based on performance against corporate milestones in fiscal 2020 including sensitive business objectives applicable to our entire company, focusing on strategic transactions, revenue and margin targets, confidential cost and production targets, technology milestones, bookings targets, major customer transactions, new product development, and manufacturing plans and enhancements.

Each of our named executive officers other than Mr. Waters participated in our SunPower Executive Bonus Program, which required the achievement of corporate targets established in respect of our: business restructuring (20% of the award), first half financial performance (40% of the award), and second half financial performance (40% of the award). The strategic initiative metrics included Spin-Off transaction timing (75% weighting) and associated separation costs (25% weighting). The first half financial metrics included SunPower adjusted EBITDA (31.25% weighting), SunPower adjusted cash from operations (31.25% weighting), combined SunPower and Maxeon adjusted EBITDA (18.75%), and combined SunPower and Maxeon adjusted cash from operations (18.75% weighting). Second half financial metrics (40% of the award) included SunPower adjusted EBITDA (50% weighting) and SunPower adjusted cash from operations (50% weighting). The strategic initiative and each semi-annual financial performance result was adjusted by a safety modifier, a corporate key results modifier, and individual modifier.

Example Calculation:

Eligible Earnings X Bonus Target % X Bonus Plan Performance Modifier X Safety Modifier % X Corporate Key Results Modifier % X Individual Modifier % = Bonus Payout Amount

Annual Weight	Goal	Metric	Metric Weight
	Annual Strategic Goals		
20%	Strategic Initiative: Spin Off	Spin-off Transaction Closed	75.0%
	Strategic Initiative: Separation Costs	2020 Rooster/Gem Separation Cost $M	25.0%
	1H Semi-Annual Goals		
	SunPower Profitability	SunPower Adj EBITDA	31.25%
	SunPower Cash Generation	SunPower Adj Cash from Operations	31.25%
80%	Combined Profitability	SunPower & SunPower Technologies Adj EBTIDA	18.75%
	Combined Generation	SunPower & SunPower Technologies Cash from Ops	18.75%
	2H Semi-Annual Goals		
	New SunPower Profitability	SunPower Adj EBITDA	50.0%
	New SunPower Cash Generation	SunPower Adj Cash from Operations	50.0%

2020 Bonus Plan Results

In fiscal 2020, we achieved the following, as calculated under the SunPower Executive Bonus Program (in millions of dollars):

First Half

SunPower - First Half 2020 (Q1+Q2)							
Metric		**Weight**	**Minimum**	**Target**	**Maximum**	**Result**	**Payout Attainment**
First Half Weighting 40%	SunPower Adjusted EBITDA	31.25%	($ 18)	($ 14)	($11)	$ 4.9	18.8%
	SunPower Adjusted Cash from Operations	31.25%	($139)	($111)	($56)	($ 73.7)	16.7%
	SunPower & SunPower Technologies Adjusted EBITDA	18.75%	($ 15)	($ 12)	($ 9)	$ 0.4	11.3%
	SunPower & SunPower Technologies Adjusted Cash from Operations	18.75%	($153)	($123)	($61)	($149.5)	4.2%
					Total Payout Before Modifiers		**50.9%**
					Safety Modifier		90%
					KR Modifier		80%
					Adjustment(1)		35%
					Total Payout After Modifiers		**12.8%**

(1) The Compensation Committee exercised discretion to adjust payout for the first half of fiscal 2020 due to exceptional circumstances presented by the COVID-19 pandemic and associated economic impacts.

The first half financial performance objectives account for 40% (or one-half of the 80% financial performance weighting) of the overall SunPower Executive Bonus Program. The four measured financial metrics are individually weighted, with the sum equal to 100%. The overall achievement of first half performance against targets, which were initially set in February 2020 and adjusted in March 2020 in anticipation of the projected impacts of the COVID-19 pandemic, was 50.9% in the aggregate. The additional performance modifiers were applied as follows: (i) a first half safety modifier of 90%, (ii) a first half corporate key results modifier of 80%, and (iii) first half reduction by 65%, made upon the exercise of negative discretion by the Compensation Committee to adjust the overall award in consideration of the COVID-19 pandemic and associated economic uncertainties upon management's recommendation. Final first half achievement was 12.8%.

Second Half

	SunPower – Second Half 2020 (Q3+Q4)						
	Metric	**Weight**	**Minimum**	**Target**	**Maximum**	**Result**	**Payout Attainment**
Second Half Weighting 40%	SunPower Adjusted EBITDA	50%	$39	$52	$65	$52.8	20.6%
	SunPower Adjusted Cash from Operations	50%	$31	$41	$61	($10.2)	0.0%
					Total Payout Before Modifiers		20.6%
					Safety Modifier		110 %
					KR Modifier		100 %
					Total Payout After Modifiers		22.7%

The second half financial performance objectives accounted for 40% (or one-half of the 80% financial performance weighting) of the overall SunPower Executive Bonus Program. The two measured financial metrics were individually weighted, with the sum equal to 100%. The overall achievement of second half performance against targets, which were initially set in February 2020 and adjusted in March 2020 in anticipation of the projected impacts of the COVID-19 pandemic, in aggregate was 20.6% (41.2% of one-half of the 80% weighting), and performance modifiers were applied as follows: (i) second half safety modifier of 110%; and (ii) second half corporate key results modifier of 100%. Final second half achievement was 22.7% (45.4% of one-half of the 80% weighting).

Annual Strategic Objectives

	SunPower – Second Half 2020 (Q3+Q4)						
	Metric	**20% Weighting**	**Minimum**	**Target**	**Maximum**	**Result**	**Payout Attainment**
Strategic Weighting 20%	Spin-Off Transaction Closed	75%	By 9/27/20	By 6/28/20	By 4/30/20	Actual achievement: 8/26/20 Adjusted to target(1)	15.0% (2)
	2020 Separation Cost	25%	$41 million	$36 million	$31 million	$29 million	7.5%
					Total Attainment Before Modifiers		22.5%
					Safety Modifier		107%
					KR Modifier		80%
					Total Attainment After Modifiers		19.3%

(1) The Compensation Committee exercised discretion to adjust attainment to target due to exceptional circumstances presented by the COVID-19 pandemic and associated economic impacts.

(2) Adjusted to target payment for purposes of the SunPower Executive Bonus Program only. Retained payout level of 10.1% as calculated for purposes of performance-based restricted stock units.

The annual strategic objectives accounted for 20% of the overall SunPower Executive Bonus Program. The two measured performance metrics are individually weighted, with the sum equal to 100%. The overall achievement of the annual strategic objective against targets in aggregate was 22.5%. The additional performance modifiers were applied as follows: (i) full year average safety modifier of 107%, and (ii) full year average corporate key results modifier of 80%. Final annual strategic initiative achievement was 19.3%.

2020 Bonus Plan Achievement for Mr. Waters

Mr. Waters participated in our 2020 Maxeon Executive Semi-Annual Bonus Program (the Maxeon Executive Bonus Program), which required the achievement of corporate targets established in respect of our: SunPower Technologies first half adjusted EBITDA metric (31.25% of payout), SunPower Technologies first half adjusted cash from operations metric (31.25% of payout), combined SunPower Technologies and SunPower first half adjusted EBITDA (18.75% of payout), and combined SunPower Technologies and SunPower first half adjusted cash from operations metric (18.75% of payout), as adjusted by the safety and corporate key results modifier.

In fiscal 2020, we achieved the following, as calculated under the Maxeon Executive Bonus Program (in millions of dollars):

First Half

	Maxeon - First Half 2020 (Q1+Q2)						
	Metric	**Weighting**	**Minimum**	**Target1**	**Maximum**	**Result**	**Payout Attainment**
First Half Weighting **40%**	Maxeon Adjusted EBITDA	31.25%	$1.9	$2.5	$3.2	**($4.6)**	**0.0%**
	Maxeon Adjusted Cash from Operations	31.25%	-$14	-$11	-$6	**($75.8)**	**0.0%**
	SunPower & SunPower Technologies Adjusted EBITDA	18.75%	-$15	-$12	-$9	**$0.4**	**11.3%**
	SunPower & SunPower Technologies Adjusted Cash from Operations	18.75%	-$153	-$123	-$61	**($149.5)**	**4.2%**
					Total Payout Before Modifiers		**15.4%**
					Safety Modifier		90%
					KR Modifier		80%
					Adjustment		35%
					Total Payout After Modifiers		**3.9%**

First half financial performance objectives account for 40% of the overall Maxeon Executive Bonus Program. The four measured financial metrics are individually weighted with the sum equal to 100%. The overall achievement of first half performance against targets in aggregate was 15.4% (30.9% of one-half of the 80% weighting). The additional performance modifiers were applied as follows: (i) first half safety modifier of 90%, (ii) first half corporate key results modifier of 80%, (iii) first half Adjustment of 35% (the Compensation Committee used negative discretion to adjust the overall award in consideration of the COVID-19 pandemic and associated economic uncertainties). The final first half achievement was 3.9% (7.8% of one-half of the 80% weighting).

Earned bonus amounts are reflected under ''*2020 Total Non-Equity Incentive Plan Compensation*'' in the 2020 Summary Compensation Table below.

Payments to our named executive officers under our Semi-Annual Bonus Plan required the achievement of corporate targets set in respect of our quarterly corporate key results, as modified by an individual modifier assigned by the chief executive officer (or, in the case of our chief executive officer, by the Board) based on his or her individual performance. Such individual modifiers are expressed as a percentage, capped at 125%, and are combined with a corporate milestones factor based on the level of achievement of our corporate targets, to calculate bonus payments under the plan.

We incorporate a ''management by objective'' system throughout our organization to establish performance goals that supplement our financial goals. Management establishes five-year corporate key results, and then derives from them annual and quarterly corporate key results, which we refer to as corporate milestones. Each corporate milestone is reviewed, revised, and approved by the Board, and subsequently the scores are reviewed and approved by our Compensation Committee. In addition, each named executive officer, other than our chief executive officer, establishes quarterly personal goals, which we refer to as key results, which are approved by the chief executive officer and are intended to be aligned with each quarter's corporate milestones. Quarterly corporate milestones in fiscal 2020 included sensitive business objectives applicable to our entire company, focusing on strategic transactions, revenue and margin targets, confidential cost and production targets, technology milestones, bookings targets, major customer transactions, new product development, and manufacturing plans and enhancements. For fiscal 2020, personal key results objectives included confidential revenue and margin targets, product development, and achieving booking targets, among other operational goals. The Board determined the chief executive officer's key results, which consisted solely of the quarterly corporate milestones selected after discussion with the chief executive officer. These corporate milestones and individual key results are typically challenging in nature and designed to be stretch goals and encourage the individual to achieve success in his or her position during the performance period. At the end of the year, the Compensation Committee determines the chief executive officer's individual modifier, and the chief executive officer determines the individual modifier for each other named executive officer, based on achievement of their respective individual key results.

In fiscal 2020, we achieved an average modifier of 76.75% on corporate key result milestones, and the average individual modifier assigned to our named executive officers was 100%. The maximum individual modifier was 110% and the minimum individual modifier was 85%. Factors considered in determining individual modifiers include performance against corporate, individual key results and annual objectives, and adherence to Company values. We also achieved an annual safety modifier of 100%.

Equity Awards. Our Compensation Committee believes that long-term Company performance is best achieved by an ownership culture that encourages long-term performance by our executive officers through the use of equity-based awards. Our SunPower Corporation 2015 Omnibus Incentive Plan, or 2015 Equity Plan, permits the grant of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, and other stock-based awards. Consistent with our goal to attract, retain, and reward executive officers who contribute to our long-term success in fiscal 2020, the Compensation Committee evaluates long-term equity awards between 50^{th} and 75^{th} percentiles of the market. Positioning against the market data may be higher or lower based on individual-specific factors such as individual performance, experience, scope of responsibilities, and company performance.

The Compensation Committee then allocated long-term equity awards between time-based and performance-based restricted stock units. To balance the advantages of both time-based and performance-based awards, the Compensation Committee decided that annual long-term equity incentive awards granted to Mr. Sial, Mr. Mahaffey, and Mr. Richards in fiscal 2020 would be made half in the form of performance-based restricted stock units (which could be earned in amounts between 50% and 150% of the target amount) and half in the form of time-based restricted stock units, all of which would vest over four years.

The Compensation Committee decided not to provide Mr. Werner with an annual long-term incentive award in 2020 because his 2020 equity awards were deferred due to the impact and uncertainty created by the COVID-19 pandemic.

Awards granted and earned in fiscal 2020 were as follows:

Name(1)	Time-Based Restricted Stock Units(2)	Performance-Based Restricted Stock Units (Target)	Performance-Based Restricted Stock Units Earned
Thomas Werner	-0-	-0-	-0-
Manavendra Sial	61,720	61,720	54,993
Kenneth Mahaffey	49,376	49,376	43,994
Douglas Richards	49,376	49,376	43,994

(1) On August 26, 2020, concurrent with the Spin-Off, Mr. Waters left the Company's employment, and both of his restricted stock units and performance-based restricted stock units were assumed by Maxeon Solar Technologies, Ltd. pursuant to the terms of the Employee Matters Agreement entered into in connection with the Spin-Off. For ease of comparison, the awards granted are shown as they would have been adjusted if Mr. Waters had remained an employee of the Company.

(2) Except for Mr. Waters, the number of restricted stock units and performance-based restricted stock units reflect additional shares that resulted from applying the volume-weighted average price ratio of 10 days prior to distribution and 10 days after the distribution (calculated at 1.04923839629837) as stipulated in the Employee Matters Agreement entered into in connection with the Spin-Off.

We used performance-based restricted stock units as incentive compensation during fiscal 2020 to align our named executive officers' compensation with corporate performance.

In connection with our annual review of executive officer compensation, the Compensation Committee approved performance targets for performance-based restricted stock unit awards to each of our executive officers other than Mr. Waters in respect of the following: annual strategic initiative (20% of the award), first half financial performance (40% of the award), second half financial performance (40% of the award), and a formula under which actual awards would be calculated after completion of fiscal 2020. The corporate key results, safety, and individual modifiers do not apply to the performance-based restricted stock awards. See ''*Executive Compensation—Equity Incentive Plan Compensation*'' below for more information about these metrics, targets, and formulas.

These semi-annual performance metrics for each of these equity awards were selected on the basis of the operating plan approved by the Board after considering expectations regarding our future growth and strategy, as well as potential challenges in achieving such growth and strategic goals. Semi-annual performance periods provide us more flexibility in an uncertain business environment. The performance targets were established at a level that the Compensation Committee determined to be challenging for our named executive officers to achieve. In fiscal 2020, our named executive officers achieved an average 17.6% payout factor in respect of the annual strategic initiative targets, an average 50.9% payout factor in respect to the first half financial performance targets, and an average 20.5% payout factor in respect to the second half financial performance targets, resulting in a combined 89.1% payout for each of our executive officers. The performance goals and associated payouts for 2020 performance-based restricted stock unit awards match the financial and operational performance elements (excluding the safety, corporate key results, and individual bonus modifiers) used for the cash bonus program under our Semi-Annual Bonus Plan.

The performance-based restricted stock units earned by our named executive officers in fiscal year 2020 began vesting in four equal annual installments, subject to continued service, starting March 1, 2021.

For fiscal 2020, our Compensation Committee continued to grant time-based restricted stock units that vest in four equal annual installments to our named executive officers, subject to continued service, starting March 1, 2021.

Other Employee Benefits. As in prior years, we generally do not provide any special perquisites to our named executive officers. We provided certain perquisites and other health and welfare and retirement benefits, such as health, vision, and life insurance coverage and participation in and matching contributions under our 401(k) defined contribution plan, which benefits are generally available to all employees.

For more information about these arrangements and benefits, see footnote 4 to the ''*2020 Summary Compensation Table*'' below.

Pension Benefits. None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Nonqualified Deferred Compensation. None of our named executive officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

Employment and Severance Arrangements

Change in Control Arrangements. We are party to employment agreements with certain of our executive officers, including our named executive officers, which provide severance benefits for employment terminations in connection with a change of control. The change of control severance arrangements generally entitles each named executive officer to certain calculated payments tied to base salary and bonus targets and accelerated vesting of his outstanding equity awards, but only upon termination by us without cause or by the executive for good reason (as those terms are defined in the agreements) in connection with a change of control of the Company (a ''double trigger'' arrangement). The Compensation Committee believes that these reinforce and encourage the continued attention and dedication of our named executive officers to their assigned duties without the distraction arising from the possibility of a change of control, and to enable and encourage our named executive officers to focus their attention on obtaining the best possible outcome for our stockholders without being influenced by personal concerns regarding the possible impact of a change of control on their job security and benefits. For more information, see ''*Executive Compensation—Employment Agreements*'' and ''*Executive Compensation—Potential Payments Upon Termination or Change of Control*.''

Severance Arrangements. We also maintain our 2019 Management Career Transition Plan, adopted in April 2019 and amended in July 2020, which generally entitles each named executive officer to certain calculated payments tied to salary and bonus targets, and reimbursement of healthcare continuation coverage.

The Compensation Committee believes that the 2019 Management Career Transition Plan provides benefits that are consistent with industry practice. We believe that entering into change of control and severance arrangements with certain of our executives has helped us attract and retain excellent executive talent and that offering standard packages avoids case-by-case negotiations. The severance arrangements also promote stability and continuity in our senior management team. For more information, please see "*Executive Compensation—Employment Agreements,*" "*Executive Compensation—2019 Management Career Transition Plan*" and "*Executive Compensation—Potential Payments Upon Termination or Change of Control*" below.

Section 162(m) Considerations

Section 162(m) of the Code generally limits the deduction a company may take for compensation paid to certain executive officers to the extent the compensation for any such individual exceeds $1 million for the taxable year, unless the compensation qualifies as "qualified performance-based compensation" under Section 162(m) of the Code. This exception has been repealed such that compensation paid to certain executives in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. Our Compensation Committee considers deductibility as one of a number of factors considered in determining appropriate levels or methods of compensation. Accordingly, we may award compensation that is not deductible for federal income tax purposes.

Stock Ownership Guidelines

In 2015, the Board adopted Stock Ownership Guidelines for Executives and Directors. Under these guidelines and subject to certain exceptions, our chief executive officer is expected to own shares of our stock that have a value equal to five times his annual salary. Other executive officers, as designated by the Board, are expected to own shares that have a value equal to their annual salary. Each executive officer is expected to maintain ownership at or above the threshold applicable to them beginning five years after such officer first becomes subject to the guidelines with ownership measured at the end of each calendar year. Shares may be owned directly by the individual, owned by the individual's spouse, or held in trust for the benefit of the individual's family. Although Mr. Werner was required to satisfy the stock ownership guidelines beginning five years after their implementation in 2015, he already owns shares with a value in excess of the guidelines as of the end of 2020. Currently, the Board has not designated any additional officers to be subject to the guidelines.

Other Disclosures

Under our insider trading policy, our executive officers, directors, and employees are prohibited from engaging in short sales of our securities, establishing margin accounts or otherwise pledging our securities, hedging our securities, or buying or selling options, puts, or calls on our securities.

We do not have a policy regarding adjustment or recovery of awards or payments if the relevant performance goals or measures upon which they are based are restated or otherwise adjusted so that awards or payments are reduced.

COMPENSATION COMMITTEE REPORT

The following report has been submitted by the Compensation Committee of the Board:

The Compensation Committee of the Board has reviewed and discussed our Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended January 3, 2021 and definitive proxy statement on Schedule 14A for our 2021 Annual Meeting, each as filed with the SEC. The foregoing report was submitted by the Compensation Committee of the Board and shall not be deemed to be ‘‘soliciting material’’ or to be ‘‘filed’’ with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act, and shall not be deemed incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933 or the Exchange Act.

COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS

Patrick Wood III, Chair
Thomas McDaniel
Julien Pouget
Laurent Wolffsheim

April 2, 2021

EXECUTIVE COMPENSATION

Compensation of Named Executive Officers

The 2020 Summary Compensation Table below quantifies the compensation for each of our named executive officers for services rendered during fiscal 2020 and, as applicable, fiscal 2019 and fiscal 2018. The primary elements of each named executive officer's total compensation during fiscal 2020 are reported in the table below and include, among others, base salary, performance-based cash bonuses under our Semi-Annual Bonus Plan, awards of restricted stock units subject to time-based vesting, and awards of performance-based restricted stock units subject to achievement of financial and other strategic targets and subsequent time-based vesting.

2020 Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Thomas Werner President, Chief Executive Officer, and Chairman of the Board	2020	502,153	-0-	0	553,049	26,896	1,082,098
	2019	600,000	-0-	1,486,000	860,833	25,650	2,972,483
	2018	600,000	-0-	2,165,300	1,218,369	25,018	4,008,687
Manavendra Sial, Executive Vice President and Chief Financial Officer	2020	386,480	-0-	1,057,881	204,884	26,952	1,676,197
	2019	432,115	-0-	464,000	288,573	142,707	1,327,396
	2018	266,442	100,000	1,907,600	245,480	79,400	2,598,922
Kenneth Mahaffey, Executive Vice President General Counsel, Chief Ethics and Compliance Officer And Corporate Secretary	2020	297,634	-0-	846,305	106,911	29,237	1,280,087
	2019	332,115	-0-	657,337	152,264	31,459	1,173,175
	2018	325,000	-0-	670,650	240,539	30,594	1,266,783
Douglas Richards, Executive Vice President, Administration	2020	337,615	-0-	846,305	148,675	23,059	1,355,654
	2019	377,115	-0-	696,000	206,056	21,887	1,301,058
	2018	370,000	-0-	710,100	296,316	21,330	1,397,746
Jeffrey Waters Chief Executive Officer, SunPower Technologies(5)	2020(7)	274,615	-0-	2,016,470	24,034	20,181	2,374,531
	2019	563,077	1,000,000	3,972,606	557,085	29,608	6,122,376

(1) The amounts reported in this column for fiscal 2020 reflect each named executive officer's salary for fiscal 2020 plus payments for paid time off and holidays.

(2) The amounts reported in the "Stock Awards" column for fiscal 2020 includes additional shares from the August 26, 2020 Spin-Off transaction valued at the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 of stock awards granted during the year (time-based and performance-based restricted stock units), excluding the effect of certain forfeiture assumptions. For the performance-based restricted stock units reported in this column for fiscal 2020, such amounts are based on the probable outcome of the relevant performance conditions as of the grant date. Assuming that the highest level of performance is achieved for these awards, the grant date fair value of the performance-based restricted stock unit awards would be: Mr. Sial, $793,411; Mr. Mahaffey, $634,728; Mr. Richards, $634,728; and Mr. Waters, $1,512,352. See Note 17 to our consolidated financial statements in our 2020 Annual Report for details as to the assumptions used to determine the aggregate grant date fair value of these awards. See also our discussion of stock-based compensation under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates*" in our 2020 Annual Report.

(3) The amounts reported in this column for fiscal 2020 reflect the amounts earned under our Semi-Annual Bonus Plan. Additional information about non-equity incentive plan compensation earned during fiscal 2020 is set forth in "*Executive Compensation—Non-Equity Incentive Plan Compensation*" below.

(4) The amounts reported in this column for fiscal 2020 as "All Other Compensation" consist of the elements summarized in the table below.

Name	Health Benefits ($)	Group Life Insurance ($)	401(k) Match ($)	Relocation Benefits ($)	Total ($)
Thomas Werner	17,691	655	8,550	-0-	26,896
Manavendra Sial	17,893	509	8,550	-0-	26,952
Kenneth Mahaffey	24,469	392	4,377	-0-	29,238
Douglas Richards	14,064	445	8,550	-0-	23,059
Jeffrey Waters	19,821	360	-0-	-0-	20,181

(5) Mr. Waters left the Company's employment as a result of the Spin-Off of Maxeon Solar Technologies, Ltd. on August 26, 2020.

Grants of Plan-Based Awards

During fiscal 2020, our named executive officers were granted plan-based restricted stock units and performance-based restricted stock units under our SunPower Corporation 2015 Omnibus Incentive Plan, which we refer to as our 2015 Equity Plan. They were also granted cash bonus awards under our Semi-Annual Bonus Plan. The following table sets forth information regarding the stock awards and cash bonus awards granted to each named executive officer during fiscal 2020.

2020 Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards ($)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
Thomas Werner	—(3)	540,000	1,200,000	2,475,000	—	—	—	—	—
Manavendra Sial	—(3)	176,175	391,500	807,469	—	—	—	—	—
	2/29/2020(4)	—	—	—	30,860	61,720	92,580	—	528,940
	02/29/2020(5)	—	—	—	—	—	—	61,720	528,940
Kenneth Mahaffey	—(3)	113,063	251,250	518,203	—	—	—	—	—
	2/29/2020(4)	—	—	—	24,688	49,376	74,064	—	423,152
	2/29/2020(5)	—	—	—	—	—	—	49,376	423,152
Douglas Richards	—(3)	136,800	304,000	627,000	—	—	—	—	—
	02/29/2020(4)	—	—	—	24,688	49,376	74,064	—	423,152
	02/29/2020(5)	—	—	—	—	—	—	49,376	423,152
Jeffrey Waters	—(3)	337,500	750,000	1,546,875	—	—	—	—	—
	02/29/2020(6)	—	—	—	58,824	117,647	176,471	—	1,008,235
	02/29/2020(7)							117,647	1,008,235

(1) Additional information about estimated possible payouts under non-equity incentive plan awards is set forth above in the table entitled "*Estimated Possible Payouts Under Semi-Annual Bonus Plan*."

(2) The amounts reported in these columns represent performance-based restricted stock unit opportunities. The Compensation Committee approved the awards to the named executive officers on February 29, 2020. The grant date fair value of these awards is reported based on the probable outcome of the applicable performance conditions and is consistent with the estimate of aggregate compensation cost, if any, expected to be recognized over the service period determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures. See Note 16 to our consolidated financial statements in our 2020 Annual Report for details as to the assumptions used to determine the aggregate grant date fair value of these awards. See also our discussion of stock-based compensation under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in our 2020 Annual Report.

(3) Consists of an award under our Executive Semi-Annual Bonus Plan. Achievement levels for certain performance targets could reduce payouts to zero when the applicable formula is applied, as further described below.

(4) Consists of an award of restricted stock units adjusted as a result of the Spin-Off. Original grants were adjusted using the value-weighted average price (VWAP) ratio of the price of one share of our common stock for 10 days prior to distribution and 10 days after the distribution (calculated as 1.04923839629837) as stipulated in the Employee Matters Agreement entered into in connection with the Spin-Off. The awards are subject to achievement of specific performance metrics in addition to time-based vesting requirements, under the 2015 Equity Plan. Failure to achieve certain performance metrics could result in zero restricted stock units being awarded. The maximum attainable award is 150% of target. The closing price of our common stock was $8.57 on February 29, 2020. Actual awards were determined in the first quarter of 2021 and are described in "Equity Incentive Plan Compensation" below. The earned award vests ratably on March 1, 2021, March 1, 2022, March 1, 2023, and March 1, 2024, subject to continued employment.

(5) Consists of an award of restricted stock units adjusted as a result of the Spin-Off. Original grants were adjusted using the VWAP ratio of 10 days prior to distribution and 10 days after the distribution (calculated at 1.04923839629837) as stipulated in the Employee Matters Agreement entered into in connection with the Spin-Off. The awards are subject to time-based vesting requirements under the 2015 Equity Plan. The closing price of our common stock was $8.57 on February 29, 2020. The award vests ratably on March 1, 2021, March 1, 2022, March 1, 2023, and March 1, 2024, subject to continued employment.

(6) These performance-based restricted stock units awarded to Mr. Waters were subsequently cancelled as a result of the Spin-Off and re-issued by Maxeon Solar Technologies, Ltd. based on the VWAP ratio of the price of one share of our common stock for 10 days prior to the distribution to the VWAP of the price of one share of Maxeon Solar Technologies common stock 10 days after the distribution (calculated as 0.575559718013919) as stipulated in the Employee Matters Agreement entered into in connection with the Spin-Off.

(7) These restricted stock units awarded to Mr. Waters were subsequently cancelled as a result of the Spin-Off and re-issued by Maxeon Solar Technologies, Ltd. after the spin based on the VWAP ratio of the price of one share of our common stock for 10 days prior to the distribution to the VWAP of the price of one share of Maxeon Solar Technologies common stock 10 days after the distribution (calculated as 0.575559718013919) as stipulated in the Employee Matters Agreement entered into in connection with the Spin-Off.

Non-Equity Incentive Plan Compensation

2020 Semi-Annual Bonus Programs. In 2020, we maintained two tailored bonus programs under our Executive Semi-Annual Bonus Plan, which we refer to together as the Semi-Annual Bonus Programs. For named executive officers, awards under each of the Semi-Annual Bonus Programs, including the 2020 New SunPower Executive Semi-Annual Bonus Program (which we refer to as the SunPower Executive Bonus Program) and the 2020 Maxeon Solar Executive Semi-Annual Bonus Program (which we refer to as the Maxeon Executive Bonus Program), were formula-driven. Each of our named executive officers other than Mr. Waters participated in the SunPower Executive Bonus Program. Mr. Waters was a participant in the Maxeon Executive Bonus Program, which terminated upon the Spin-Off.

2020 SunPower Executive Semi-Annual Bonus Program. At the beginning of fiscal 2020, the Compensation Committee established and approved minimum, target, and maximum levels in respect of two annual strategic initiative performance criteria and four semi-annual financial metrics for the SunPower Executive Bonus Program. The annual strategic initiative performance criteria were: (1) Spin-Off transaction timing; and (2) separation cost. The semi-annual financial metrics were: (1) New SunPower profitability, (2) New SunPower cash generation, (3) combined company Adjusted EBITDA, and (4) combined company adjusted cash from operations. Following the Spin-Off, the Compensation Committee modified the financial metrics for the second half of the fiscal year to eliminate the combined company metrics. The second half financial metrics were: (1) Adjusted EBITDA, and (2) adjusted cash from operations. In addition, we used a safety modifier based on our company's TRIR for each half of the fiscal year, and a corporate milestones modifier based on the company's achievement relative to corporate milestones representing key results in support our business plan for each half of the fiscal year. We refer to this overall score as our Combined SunPower Metrics score.

2020 Maxeon Solar Executive Semi-Annual Bonus Program. At the beginning of fiscal 2020, the Compensation Committee established and approved minimum, target, and maximum levels in respect of two annual strategic initiative performance criteria and four semi-annual financial metrics for the Maxeon Executive Bonus Program. The annual strategic initiative performance criteria were: (1) Spin-Off transaction timing; and (2) separation cost. The semi-annual financial metrics were: (1) Maxeon Solar profitability, (2) Maxeon Solar cash generation, (3) combined company profitability, and (4) combined company cash generation. In addition, we used a safety modifier based on our company's TRIR for each half of the fiscal year, and a corporate milestones modifier based on the company's achievement relative to corporate milestones representing key results in support our business plan for each half of the fiscal year. We refer to this overall weighted score as our Combined Maxeon Metrics score. The Maxeon Executive Bonus Program terminated upon the Spin-Off.

Our semi-annual profitability metrics were based on our Adjusted EBITDA, both as a combined company and separated into "New SunPower Adjusted EBITDA" and "Maxeon Solar Adjusted EBITDA" (prior to the Spin-Off).[2] Our semi-annual cash generation metrics were based on our adjusted cash from operations. Each of these measures is subject to adjustment to exclude the effect of certain transactions outside of the normal course of business, as well as other events as specified in the applicable Semi-Annual Bonus Program. For the first half of fiscal 2020, each named executive officer other than Mr. Waters would earn: (i) 25% of his target bonus under the SunPower Executive Bonus Program upon the achievement of the New SunPower profitability target, (ii) 25% of his target bonus upon the achievement of the New SunPower cash generation target, (iii) 15% of his target bonus upon achievement of the combined company profitability target, (iv) 15% of his target bonus upon achievement of the combined company cash generation target, (v) 15% of his target bonus upon achievement of the Spin-Off timing target, and (vi) 5% of

[2] Adjusted EBITDA is a non-GAAP financial measure. See Appendix A,"Use of Non-GAAP Financial Measures."

his target bonus upon achievement of the separation cost target. For the second half of fiscal 2020, each named executive officer other than Mr. Waters would earn: (i) 40% of his target bonus under the SunPower Executive Bonus Program upon the achievement of the profitability target, (ii) 40% of his target bonus upon the achievement of the cash generation target, (iii) 15% of his target bonus upon achievement of the Spin-Off timing target, and (iv) 5% of his target bonus upon achievement of the separation cost target.

For the first half of fiscal 2020, Mr. Waters would earn: (i) 31.25% of his target bonus under the Maxeon Executive Bonus Program upon the achievement of the Maxeon Solar profitability target, (ii) 31.25% of his target bonus upon the achievement of the Maxeon Solar cash generation target, (iii) 18.75% of his target bonus upon achievement of the combined company profitability target, and (iv) 18.75% of his target bonus upon achievement of the combined company cash generation target.

In order to encourage our named executive officers to exceed the performance targets, our Compensation Committee set the maximum payment under the program at 150% of target. Payment for each target is determined based on performance achievement relative to minimum, target, and maximum levels, as follows:

Performance Level Achieved	Bonus Payment as Percentage of Bonus Target
Below minimum	No bonus paid
At minimum	50% of target bonus (minimum award for minimum achievement)
Between minimum and target	Prorated on a straight-line basis, between 50% and 100%
At target	100% of target
Between target and maximum	Prorated on a straight-line basis, between 100% and 150%
At or above maximum	150% of target

The semi-annual performance targets for the SunPower Executive Bonus Program and Maxeon Executive Bonus Program, set at the beginning of fiscal 2020 (and subsequently modified upon Spin-Off in the case of the second half financial goals), were assessed at the end of each half of the year. The Maxeon Solar Executive Program, which terminated upon the Spin-Off, was only assessed at the end of the first half. Based on our actual results in fiscal 2020, results were calculated for each of the targets, as presented above in the section entitled ''2020 Bonus Plan Results'' in the aggregate (in millions of dollars).

The safety modifier based on our company's TRIR for each half of the year, set at the beginning of fiscal 2020, was also assessed at the end of each half of the year, and applied to the bonus payouts calculated under the SunPower Executive Semi-Annual Bonus Program and the Maxeon Executive Semi-Annual Bonus Program (with respect to the first half only). The maximum payout modifier for TRIR was set to 110% for achieving a .90 TRIR or below and the minimum payout modifier for TRIR was set to 90% for achieving a TRIR of 1.10 or greater. Achieving a TRIR result of 1.00 would result in a TRIR modifier equal to 100%. Based on our actual results in fiscal 2020, results were calculated in comparison to the semi-annual targets, as presented below.

First Half Performance Criterion	Minimum	Target	Maximum	Achievement	Payment as % of Target Payment
SunPower Total Recordable Injury Rate	1.10	1.00	0.90	1.18	90%

Second Half Performance Criterion(1)	Minimum	Target	Maximum	Achievement	Payment as % of Target Payment
SunPower Total Recordable Injury Rate	1.10	1.00	0.85	0.61	110%

(1) Measured with respect to the SunPower Executive Bonus Plan only, due to termination of the Maxeon Executive Bonus Plan upon the Spin-Off.

Quarterly corporate milestones in fiscal 2020 included sensitive business objectives applicable to our entire company, focusing on strategic transactions, business restructuring, revenue and margin targets, confidential cost and production targets, technology milestones, bookings targets, major customer transactions, new product development, and manufacturing plans and enhancements. The quarterly corporate key results scores were 66.19%, 75.98%, 81.80%, and 83.04% for each quarter in fiscal 2020, respectively, resulting in Semi-Annual Bonus Program bonus payment modifiers of 80% in the first half and 100% in the second half. Individual modifiers for the named executive officers ranged from 85% to 110%, and averaged 100%, for both the first half and the second half of fiscal 2020.

Semi-Annual Bonus Program payment modifiers for each half of the year associated with corporate milestones were determined as follows:

Average Corporate Key Results Score for the Half	Payment
Under 60%	60% bonus payment modifier
60% or over but under 80%	80% bonus payment modifier
80% or over	100% bonus payment modifier

Based on actual results achieved, and the exercise of negative discretion by the Compensation Committee with respect to first half results, and positive discretion by the Compensation Committee to adjust strategic initiative attainment to target, bonuses were earned and paid (i) to our named executive officers participating in the SunPower Executive Bonus Program at 19.3% in the aggregate for the annual strategic initiatives, 12.8% in the aggregate for the first half and 22.7% for the second half of fiscal 2020; and (ii) to Mr. Waters as a participant in the Maxeon Executive Bonus Program at 7.8% in the aggregate for the first half of fiscal 2020. The Maxeon Executive Bonus Program terminated upon the Spin-Off.

Awards under the Semi-Annual Bonus Programs were formula-driven, and each named executive officer is further assigned an individual modifier by his or her manager, or, in the case of our chief executive officer, by the Board of Directors, meant to take into account individual performance and accomplishments. These metrics were then incorporated into the plan's formula. Each named executive officer's individual modifier could result in no award being payable even if we achieved our semi-annual performance metrics and corporate key results targets in the event that the individual modifier was determined to be zero. If threshold corporate key results were achieved and we exceeded our semi-annual performance metric targets, bonus payments could exceed 100% of target, up to a maximum payment of 150%, depending on the individual modifier.

Average Corporate Key Results Score for the Half	Payment
Under 60%	60% bonus payment modifier
60% or over but under 80%	80% bonus payment modifier
80% or over	100% bonus payment modifier

Quarterly corporate milestones in fiscal 2020 included sensitive business objectives applicable to our entire company, focusing on strategic transactions, business restructuring, revenue and margin targets, confidential cost and production targets, technology milestones, bookings targets, major customer transactions, new product development, and manufacturing plans and enhancements. The quarterly corporate key results scores were 66.19%, 75.98%, 81.80%, and 83.04% for each quarter in fiscal 2020, respectively, resulting in Semi-Annual Bonus Program bonus payment modifiers of 80% in the first half and 100% in the second half, and 80% for the annual portion. Individual modifiers for the named executive officers ranged from 85% to 110%, and averaged 100%, for both the first half and the second half of fiscal 2020.

Equity Incentive Plan Compensation

In addition to time-based restricted stock unit awards, to further align executive compensation with maximizing stockholder value, our Compensation Committee granted to certain of our named executive officers performance-based equity awards, consisting of restricted stock units that would be released and begin time-based vesting only upon achievement of certain corporate or individual performance objectives. Mr. Sial, Mr. Mahaffey, Mr. Richards, and Mr. Waters received grants of performance-based restricted stock units in 2020. Mr. Werner did not receive grants of performance-based restricted stock units in 2020 because his 2020 equity awards were deferred due to the impact and uncertainty created by the COVID-19 pandemic. As previously disclosed, Mr. Werner's deferred grants (consisting of two restricted stock unit awards) were finalized and made on February 22, 2021, for a target total grant value of $1 million using the stock price used for grants to other executive officers during this time period.

Our Compensation Committee met at the beginning of 2020 and established and approved target levels in respect of the following performance criteria for our performance-based equity awards to Mr. Sial, Mr. Mahaffey, Mr. Richards: (1) semi-annual profitability metrics, (2) semi-annual cash generation metrics, and (3) strategic initiative metrics for the fiscal year, in each case aligned with the metrics and their corresponding targets under our SunPower Executive Bonus Program described above in "*Executive Compensation—Non-Equity Incentive Plan Compensation*."

Each eligible named executive officer would earn (i) 40% of his target performance-based restricted stock units based on first half financial metrics (broken into 12.5% attributable to the achievement of the New SunPower profitability target, 12.5% attributable to the achievement of the New SunPower cash generation target, 7.5% attributable to achievement of the combined company profitability target, and 7.5% attributable to achievement of the combined company cash generation target); (ii) 40% of his target performance-based restricted stock units based on second half financial metrics (broken into 20% attributable to the achievement of the profitability target and 20% attributable to the achievement of the cash generation target); and 20% of his target performance-based restricted stock units based on strategic initiative metrics (broken into 15% attributable to achievement of the Spin-Off timing target, and 5% attributable to the achievement of the separation cost target). The payment for each target was determined based on the performance metric achieved relative to minimum, target, and maximum performance levels, as shown in the table below.

Percentage of Performance Target Achieved	**Grant of Restricted Stock Units as Percentage of Target**
Below minimum	No restricted stock units earned
At minimum	50% of target restricted stock units (minimum award for minimum achievement)
Between minimum and target	Prorated on a straight-line basis, between 50% and 100%
At target	100% of target
Between target and maximum	Prorated on a straight-line basis, between 100% and 150%
At or above maximum	150% of target

The performance-based restricted stock units earned by these named executive officers began vesting in four equal annual installments, subject to continued service, starting March 1, 2021.

For fiscal 2020, our Compensation Committee continued to grant time-based restricted stock units that vest in four equal annual installments to our named executive officers other than our chief executive officer.

With respect to our 2020 performance-based equity awards to named executive officers other than Mr. Waters, we achieved a total of 101.1% of our semi-annual profitability metric targets, a total of 41.8% of our semi-annual cash generation metric targets, and a total of 17.6% of our annual strategic initiative metric targets. Based on our actual results in fiscal 2020, performance-based restricted stock units were earned by such named executive officers for achievement of each of these metric targets.

The named executive officers' targets and earned performance-based restricted stock units are described above in "*Compensation Discussion and Analysis—Analysis of Fiscal 2020 Compensation Decisions—Equity Awards*."

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information regarding the outstanding equity awards held by our named executive officers as of January 3, 2021.

Outstanding Equity Awards at 2020 Fiscal Year-End Table

		Stock Awards	
Name	Vesting Commencement Date[(1)]	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[(2)]
Thomas Werner	3/1/2017	78,692	2,017,662
	5/5/2018	52,461	1,345,100
	3/1/2019[(3)]	39,597	1,015,267
Manavendra Sial	3/1/2020	116,713	2,992,522
	3/1/2017	10,492	269,015
	3/1/2018	43,945	1,126,749
	3/1/2019	84,147	2,157,530
Kenneth Mahaffey	3/1/2020	93,370	2,394,007
	3/1/2017	24,918	638,898
	3/1/2018	46,530	1,193,029
	3/1/2019	89,095	2,284,396
Douglas Richards	3/1/2020	93,370	2,394,007
Jeffrey Waters[(4)]	—	—	—

(1) Except as otherwise noted, each award in this table constitutes an award of restricted stock units that vest in four equal annual installments on each anniversary of the vesting commencement date shown in this column, subject to continued employment with us.

(2) Amounts reported based on the closing price of our common stock on December 31, 2020 (the last trading day of fiscal 2020), which was $25.64.

(3) Restricted stock units fully vest on March 1, 2021, subject to continued employment with us.

(4) Mr. Waters left the Company's employment as a result of the Spin-Off of Maxeon Solar Technologies, Ltd. on August 26, 2020, and all of his restricted stock units were converted into restricted stock units of Maxeon Solar Technologies, Ltd.

The following table sets forth the number of shares acquired pursuant to the vesting of stock awards held by our named executive officers during fiscal 2020 and the aggregate dollar amount realized by our named executive officers upon such events. Because there were no shares acquired by our named executive officers pursuant to the exercise of options during fiscal 2020, we have not included columns pertaining to option awards in the table below.

2020 Option Exercises and Stock Vested Table

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[(1)]
Thomas Werner	715,025	7,292,020
Manavendra Sial	146,679	2,258,596
Kenneth Mahaffey	76,979	757,751
Douglas Richards	79,056	677,510
Jeffrey Waters	171,233	1,261,131

(1) The aggregate dollar value realized upon the vesting of a stock award represents the fair market value of the underlying shares on the vesting date multiplied by the number of shares vested.

Potential Payments Upon Termination or Change of Control

Tabular Disclosure of Termination Payments. Our employment agreements with our named executive officers contain provisions that provide for payments upon certain events of termination and change of control. See "*Employment and Severance Agreements*" below for a detailed description of these agreements. The following tables summarize the estimated payments that would have been made on January 3, 2020 which our named executive officers would be eligible to receive upon the following termination events, assuming each such event had occurred on January 1, 2021, the last business day of fiscal 2020:

- termination with cause or voluntary resignation without good reason;
- involuntary termination without cause or voluntary resignation for good reason in connection with a change of control;
- involuntary termination without cause or voluntarily resignation for good reason not in connection with a change of control;
- retirement; or
- discontinued service due to death or disability.

The dollar value identified with respect to each type of equity award is based on each named executive officer's accelerated restricted stock units as of January 3, 2021 and is based on the $25.64 per share closing price for our common stock on December 31, 2020, the last trading day of fiscal 2020. No named executive officers held unvested stock options as of January 3, 2021. For more information on each officer's outstanding equity awards as of January 3, 2021, please see the "*Outstanding Equity Awards At 2020 Fiscal-Year End Table*" above. The tables do not include unpaid regular salary, nor the impact of certain "best net" provisions of each named executive officer's employment agreement that provides that, in the event any payments under such employment agreement would constitute parachute payments under Section 280G of the Code or be subject to the excise tax of Section 4999 of the Code, then such payments should be either delivered in full or reduced to result in no portion being subject to such tax provisions and still yield the greatest payment to the individual on an after tax basis.

Termination Payments Table

Name	Termination Scenario	Continued Salary ($)	Bonus and Accelerated Non-Equity Incentive Plan Awards ($)	Accelerated Restricted Stock Units ($)(1)(2)	Continued Medical Benefits and Gross Up ($)	Accrued Paid Time Off and Sabbatical ($)	Total ($)
Thomas Werner	Termination with cause or voluntary resignation without good reason	—	—	—	—	69,231	69,231
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	1,200,000	2,400,000	2,017,662	63,832	69,231	5,750,725
	Involuntary termination without cause or voluntary resignation for good reason not in connection with change of control	1,200,000	1,200,000	2,017,662	42,555	69,231	4,529,448
	Retirement	—	—	—	—	69,231	69,231
	Death or disability	—	—	2,017,662	—	69,231	2,086,893

Name	Termination Scenario	Continued Salary ($)	Bonus and Accelerated Non-Equity Incentive Plan Awards ($)	Accelerated Restricted Stock Units ($)(1)(2)	Continued Medical Benefits and Gross Up ($)	Accrued Paid Time Off and Sabbatical ($)	Total ($)
Manavendra Sial	Termination with cause or voluntary resignation without good reason	—	—	—	—	—	—
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	870,000	783,000	3,943,868	60,238	—	56,571,106
	Involuntary termination without cause	435,000	391,500	2,083,429	40,159	—	2,950,088
	Retirement	—	—	—	—	—	—
	Death or disability	—	—	3,943,868	—	—	3,943,868
Kenneth Mahaffey	Termination with cause or voluntary resignation without good reason	—	—	—	—	—	—
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	670,000	502,500	4,819,295	91,974	—	6,083,769
	Involuntary termination without cause	335,000	251,250	983,448	61,316	—	1,631,014
	Retirement	—	—	—	—	—	—
	Death or disability	—	—	4,819,295	—	—	4,819,295
Douglas Richards	Termination with cause or voluntary resignation without good reason	—	—	—	—	—	—
	Involuntary termination without cause or voluntary resignation for good reason in connection with change of control	760,000	608,000	5,382,323	48,955	—	6,799,278
	Involuntary termination without cause	380,000	304.000	2,313,343	32,637	—	3,029,980
	Retirement	—	—	—	—	—	—
	Death or disability	—	—	5,382,323	—	—	5,382,323

(1) In connection with a change of control, accelerated restricted stock units' calculation assumes that the change of control does not involve Total or one of its affiliates.

(2) Awards under the SunPower Corporation 2015 Omnibus Incentive Plan provide for accelerated vesting upon death or disability.

Employment and Severance Agreements

We have entered into employment agreements with our named executive officers. Our 2019 Management Career Transition Plan, which was adopted in April 2019 and subsequently amended in July 2020, provides severance benefits for our named executive officers, upon termination of employment under certain circumstances. Additionally, our named executive officers are entitled to receive certain payments from us or our affiliates in the event of certain termination events in connection with a change of control.

Employment Agreements. We are party to employment agreements with the named executive officers. Each employment agreement provides that the executive's employment is ''at-will'' and may be terminated at any time by either party. The primary purpose of the agreements is to provide certain severance benefits for certain employment terminations in connection with a change in control (as defined in the agreement). The agreements also address, among other things, confidentiality and non-solicitation obligations of each executive, and obligations of the Company to provide indemnification to the executives.

Each employment agreement provides for a one-year term that will automatically renew unless the Company provides notice of its intent not to renew at least 60 days prior to the renewal date. The agreements also provide that each executive shall receive a base salary, paid in accordance with the Company's normal payroll practices, and shall be eligible to receive (i) an annual bonus under the Company's applicable bonus program, (ii) relocation benefits, if applicable, (iii) benefits pursuant to the Company's employee benefit plans, (iv) vacation in accordance with the Company's paid time off policy, and (v) equity awards under the Company's long-term incentive compensation arrangements.

In the event an executive's employment is terminated by the Company without cause (as defined in the agreement), or if the executive resigns for good reason (as defined in the agreement), and if such termination or resignation is in connection with a change in control, then the agreements also provide that the executive is entitled to:

- a lump-sum payment equal to such executive's accrued and unpaid base salary and unreimbursed business expenses (the ''Accrued Obligations'');
- a lump-sum payment equal to the product of (a) two, multiplied by (b) the sum of executive's base salary and target bonus for the then current fiscal year;
- continuation of such executive's and such executive's eligible dependents' coverage under the Company's health, dental and vision plans at the Company's expense for up to 18 months or, if earlier, the date that the executive becomes eligible for coverage in connection with new employment or self-employment; and
- full vesting of all of such executive's then outstanding unvested restricted stock units that would otherwise vest solely based upon continued employment, as of the termination date.

If any of the severance payments, accelerated vesting and lapsing of restrictions would constitute a ''parachute payment'' within the meaning of Section 280G of the Internal Revenue Code and be subject to excise tax or any interest or penalties payable with respect to such excise tax, then the executive's benefits will be either delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to such taxes, interest or penalties, whichever results in the executive receiving, on an after-tax basis, the greatest amount of benefits.

Prior to receiving the severance benefits described in the employment agreements, each executive will be required to sign a separation agreement and release of claims.

In the event an executive's employment is terminated by the Company for any reason other than cause, death or disability, and if such termination does not occur in connection with a change in control, then the agreements provide that the executives shall receive severance benefits in accordance with the 2019 Management Career Transition Plan, including:

- a lump-sum payment equivalent to 12 months of such executive's base salary;
- a lump-sum payment equal to any earned but unpaid annual bonus for a completed fiscal year;
- a lump-sum payment equal to the pro rata portion of such executive's actual bonus for the then current fiscal year, based on the number of whole calendar months between the start of the fiscal year and the termination date;
- reimbursement of such executive's and such executive's eligible dependents' monthly premiums for continuation coverage under the Consolidated Omnibus Reconciliation Act or applicable similar state law, to the extent elected, for up to 12 months;
- a lump-sum payment equal to such executive's accrued and unpaid base salary and paid time off; and
- 12 months acceleration of vesting of any then outstanding restricted stock units that would otherwise vest solely based upon continued employment, as of the termination date.

Upon the termination of an executive's employment by the Company due to death or disability, the executive shall receive the Accrued Obligations and upon the termination of an executive's employment by the Company for cause or by the executive for other than good reason, the executive shall only receive accrued but unpaid base salary. In all termination circumstances, the executives shall also receive any other benefits that the executives are entitled to receive upon such terminations.

Under the employment agreements, ‘‘cause’’ will be deemed to exist upon:

- any use or misappropriation by executive of the funds, assets or property of the Company, its parent, an affiliate or a subsidiary for any personal or other improper purpose;
- any act of moral turpitude, dishonesty, fraud by or felony conviction of the executive, whether or not such acts were committed in connection with the business of the Company, an affiliate or a subsidiary;
- any failure by the executive substantially to perform the lawful instructions of the person(s) to whom such executive reports (other than as a result of total or partial incapacity due to physical or mental illness) following written notice by the Company to the executive of such failure;
- any willful or gross misconduct by the executive in connection with such executive’s duties to the Company which, in the reasonable good faith judgment of the Board of Directors, could reasonably be expected to be materially injurious to the financial condition or business reputation of the Company, its subsidiaries or affiliates;
- the executive’s failure to cooperate in any audit or investigation of the business or financial practices of the Company or any of its subsidiaries;
- any failure by the executive to follow any material Company policy; or
- any material breach by the executive of the employment agreement or any other agreement with the Company, or a material violation of the Company’s code of conduct or other written policy.

In addition, under the employment agreements, ‘‘good reason’’ means the occurrence of any of the following without the executive’s express prior written consent:

- a material diminution in the executive’s position (other than temporarily while physically or mentally incapacitated, while being investigated by the Company, or as required by applicable law);
- a material reduction of the executive’s base salary or target bonus opportunity, excluding a reduction that is applied to substantially all of the Company’s other senior executives; provided that whether a reduction in target bonus opportunity has occurred shall be determined without regard to any actual bonus payments made to the executive;
- relocation of executive’s primary workplace (i) beyond a 45-mile radius from such workplace, and (ii) no closer to the executive’s permanent residence immediately prior to such workplace relocation; provided that being required to work from home or at another primary workplace due to a government mandated order shall not constitute a relocation for these purposes; or
- any other material breach by the Company of the employment agreement.

The executive shall not be deemed to have ‘‘good reason’’ under the employment agreement unless (i) the executive notifies us in writing within 30 days of such occurrence, (ii) the Company fails to cure the good reason event within 30 days after its receipt of written notice; and (iii) the termination of employment occurs within ten days following the expiration of the cure period.

If any of the severance payments, accelerated vesting and lapsing of restrictions would constitute a ‘‘parachute payment’’ within the meaning of Section 280G of the Code and be subject to excise tax or any interest or penalties payable with respect to such excise tax, then the executive’s benefits will be either delivered in full or delivered as to such lesser extent which would result in no portion of such benefits being subject to such taxes, interest or penalties, whichever results in the executive receiving, on an after-tax basis, the greatest amount of benefits.

Before receiving the benefits described in the employment agreements, the executive will be required to sign a separation agreement and release of claims. In addition, the benefits will be conditioned upon the executive not soliciting our or our affiliates’ (as defined in the employment agreement) employees, consultants, customers, or users for one year following the termination date.

As described above, Mr. Werner will retire effective April 19, 2021, and Peter Faricy will succeed him as our president and chief executive officer. On March 20, 2021, the Company entered into an employment agreement with Mr. Faricy, pursuant to which Mr. Faricy will commence employment with us in his position of president and chief executive officer on April 19, 2021 (the ''Effective Date''). Mr. Faricy's employment is ''at-will'' and may be terminated at any time by either party.

The agreement provides that Mr. Faricy shall receive an initial base salary of $660,000, subject to review and increase annually, and shall be eligible to receive (i) an annual cash bonus under the Company's Executive Performance Bonus Plan, with a target annual bonus opportunity of 150% of base salary, (ii) benefits pursuant to the Company's employee benefit plans, (iii) vacation in accordance with the Company's paid time off policy, and (iv) equity awards under the Company's long-term incentive compensation arrangements subject to the approval of our Board or Compensation Committee. Mr. Faricy is also entitled to a lump sum cash relocation bonus of $800,000 to assist him in relocating to the San Francisco Bay Area, which bonus is earned in 12 equal installments upon the completion of each month of continuous employment by Mr. Faricy with us following the start date. If Mr. Faricy terminates employment with us other than for good reason (as defined in the employment agreement) or if we terminate his employment for cause (as defined in the employment agreement), he will be required to repay any unearned installment.

The Company has agreed to grant Mr. Faricy a sign-on grant of restricted stock units covering a number of shares of our common stock worth $5.3 million, determined based on the Company's average closing trading price during March 2021. Subject to Mr. Faricy's continued employment, these sign-on restricted stock units will vest annually over a four-year period, with 50% also being subject to achievement of performance goals established by the Board.

In addition, the Company will grant Mr. Faricy one restricted stock unit for each share of Company common stock Mr. Faricy purchases within 12 months after his start date, up to an aggregate of $3 million (the ''Matching RSUs''). Each Matching RSU will vest annually over two years from the last day of the calendar quarter in which Mr. Faricy purchased the related share of common stock as long as he remains employed with the Company and continues to hold such related share through the vesting date.

If Mr. Faricy's employment is terminated by the Company without cause, or if Mr. Faricy resigns for good reason, and such termination or resignation is in connection with a change in control, Mr. Faricy will be entitled to: (i) a lump-sum payment equal to (a) two *multiplied by* (b) the sum of his base salary and target bonus for the then current fiscal year, (ii) continuation of his and his eligible dependents' coverage under the Company's health, dental, and vision plans at the Company's expense for up to 18 months or, if earlier, the date Mr. Faricy becomes eligible for coverage in connection with new employment or self-employment (the ''COBRA Benefits''), (iii) full vesting on the termination date of all of then-outstanding unvested restricted stock units and other equity awards that would otherwise vest solely based upon continued employment, and (iv) vesting on the termination date of all then-outstanding unvested restricted stock units and other equity awards that are subject to performance conditions, with the number vesting based on target performance. Mr. Faricy shall also be entitled to his accrued and unpaid base salary, unreimbursed business expenses, accrued but unpaid paid time off through the date of termination, and unpaid bonus for a completed fiscal year (the ''Accrued Obligations'') and the pro rata portion of his target bonus through the date of termination (the ''Pro Rata Bonus'').

If Mr. Faricy resigns for good reason, or the Company terminates his employment without cause, and such termination is not in connection with a change in control, he is entitled to: (i) a lump-sum payment equal to the sum of his base salary and target bonus for the then current fiscal year, (ii) the COBRA Benefits, (iii) 12 months acceleration of vesting on the termination date of all of his then-outstanding unvested restricted stock units and other equity awards that would otherwise vest solely based upon continued employment, (iv) pro rata vesting of all then-outstanding unvested restricted stock units and other equity awards subject to performance conditions based on actual performance, as of the termination date, (v) all stock options and stock appreciation rights remain exercisable for two years (or the remainder of the full scheduled term, if shorter), (vi) full vesting on the termination date of the Matching RSUs and the portion of the sign-on restricted stock units that were at all times only subject to service-based vesting, and (vii) accelerated vesting of the portion of the sign-on restricted stock units that were granted with performance vesting conditions (the ''Sign-On PSUs'') based on actual performance, with service credit given for (a) 50% of the Sign-On PSUs for a termination within two years after the grant date and (b) 100% of the Sign-On PSUs for a termination following two years of service. Mr. Faricy will also be entitled to the Accrued Obligations and the Pro Rata Bonus.

In exchange for the severance and related benefits described in the preceding two paragraphs, Mr. Faricy has waived any right to participate in the Company's 2019 Management Career Transition Plan or any successor program and must sign and not revoke a release of claims in favor of the Company.

2019 Management Career Transition Plan. In April 2019, we adopted the 2019 Management Career Transition Plan, (which we refer to as the Severance Plan), which replaced our 2016 Management Career Transition Plan. The plan was subsequently amended in July 2020. The Severance Plan generally terminates on the second anniversary of the effective date. The Severance Plan addresses severance for certain employment terminations, and payments are only made if the executive or employee is not already entitled to severance benefits under a separate employment agreement. Participants in the Severance Plan include our chief executive officer, Thomas Werner, and those employees who have been employed by the Company for at least six months and report directly to him (including our other named executive officers), as well as other key employees of the Company who are provided with written notice from the chief executive officer that they are Severance Plan participants. Under the terms of the Severance Plan, Mr. Werner and the other named executive officers will be eligible for benefits following a termination of employment by us without cause (as defined in the Severance Plan). Such benefits include:

- a lump-sum payment equivalent to 12 months of such executive's base salary;
- a lump-sum payment equal to any earned but unpaid annual bonus for a completed fiscal year;
- a lump-sum payment equal to the pro rata portion of such executive's actual bonus for the then current fiscal year, based on the number of whole calendar months between the start of the fiscal year and the termination date;
- reimbursement of such executive's and such executive's eligible dependents' monthly premiums for continuation coverage under the Consolidated Omnibus Reconciliation Act or applicable similar state law, to the extent elected, for up to 12 months;
- a lump-sum payment equal to such executive's accrued and unpaid base salary and paid time off; and
- 12 months acceleration of vesting of any then outstanding restricted stock units that would otherwise vest solely based upon continued employment, as of the termination date.

CEO Pay Ratio

Pursuant to Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are required to provide the following information about the relationship of the annual total compensation of Thomas Werner, our president and chief executive officer (the CEO), to the median of the annual total compensation of all of our employees, excluding Mr. Werner:

For fiscal 2020, our last completed fiscal year:

- we have estimated the median of the annual total compensation of all our employees, excluding Mr. Werner, to be $61,896; and
- Mr. Werner's annual total compensation, for purposes of determining the CEO Pay Ratio, was $1,082,098.

Based on this information, for fiscal 2020, the ratio of the annual total compensation of Mr. Werner, our CEO, to the median of the annual total compensation of all our employees, excluding Mr. Werner, was estimated to be 17.48. This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology and assumptions described below. Our pay ratio is not an element that the Compensation Committee considers in setting the compensation of our CEO, nor is our CEO's compensation a material element that management considers in making compensation decisions for non-officer employees.

Item 402(u) of Regulation S-K requires companies to identify the median employee only once every three years. Due to the Spin-Off and in light of impacts relating to the COVID-19 pandemic, we believe that changes in our employee population or employee compensation arrangements since we last identified the median employee in 2018 could result in a significant change to our pay ratio disclosure, and so we have identified a new median employee for 2020. The ''median employee'' is a full-time, hourly employee located in the U.S. We totaled all of the elements of the employee's compensation for fiscal 2020 in accordance with the requirements of the applicable SEC rules. This resulted in an annual total compensation of $61,896, of which $41,186 is base salary and $20,710 is composed of bonus and other compensation such as overtime pay and other cash allowances.

With respect to the annual total compensation of our chief executive officer, we took the amount reported in the ‘‘Total’’ column of our 2020 Summary Compensation Table.

Because the SEC rules for identifying the median of the annual total compensation of our employees and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio for our company, as other companies have headquarters offices in different countries, have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their pay ratios.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of March 15, 2021 (except as described below) by:

- each of our directors;
- our named executive officers;
- our directors, director nominees, and executive officers as a group; and
- each person (including any ''group'' as that term is used in Section 13(d)(3) of the Exchange Act) who is known by us to beneficially own more than 5% of any class of our common stock.

Applicable beneficial ownership percentages listed below are based on 172,263,566 shares of common stock outstanding as of March 15, 2021. The business address for each of our directors and executive officers is our corporate headquarters at 51 Rio Robles, San Jose, California 95134.

	Common Stock Beneficially Owned[1]	
Directors and Named Executive Officers	**Number of Shares**	**%**
François Badoual	—	—
Catherine Lesjak	162,623	*
Kenneth Mahaffey	8,177	*
Thomas McDaniel[3]	272,381	*
Julien Pouget	—	—
Douglas Richards	—	—
Manavendra Sial[4]	116,983	*
Denis Toulouse	—	—
Franck Trochet	—	—
Jeffrey Waters[5]	53,598	*
Thomas Werner	358,918	*
Laurent Wolffsheim	—	—
Patrick Wood III	171,390	*
All Directors and Executive Officers as a Group (14 persons)[2]	1,152,238	0.67%
Other Persons		
Total S.E. Total Gaz Electricité Holdings France SAS Total Solar INTL SAS[6] 2 place Jean Millier La Défense 6 92400 Courbevoie France	91,970,976	52.17%
The Vanguard Group[7] 100 Vanguard Blvd. Malvern, PA 19355	9,672,499	5.61%

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares underlying restricted stock units and options held by that person that will vest or be exercisable within 60 days of March 15, 2021 are deemed to be outstanding. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 8,168 restricted stock units held by an additional executive officer vesting within 60 days of March 15, 2021.

(3) Includes 272,265 shares of common stock held indirectly in the McDaniel Trust dated 7/26/2000, of which Mr. McDaniel and his spouse are co-trustees.

(4) Includes 26,230 restricted stock units vesting within 60 days of March 15, 2021.

(5) Net of the 21,820 shares donated to Schwab Charitable fund.

(6) Based on the information contained in a Form 4 filed with the SEC on April 28, 2020 by Total S.E. Total Solar INTL SAS is a direct wholly owned subsidiary of Total Gaz Electricité Holdings France SAS, which is an indirect wholly owned subsidiary of Total S.E.

(7) Based on the information contained in a Schedule 13G/A filed with the SEC on February 10, 2021 by The Vanguard Group. The Vanguard Group does not have sole voting power of our common stock, shared voting power over 160,670 shares of our common stock, sole dispositive power over 9,437,906 shares of our common stock, and shared dispositive power over 234,593 shares of our common stock.

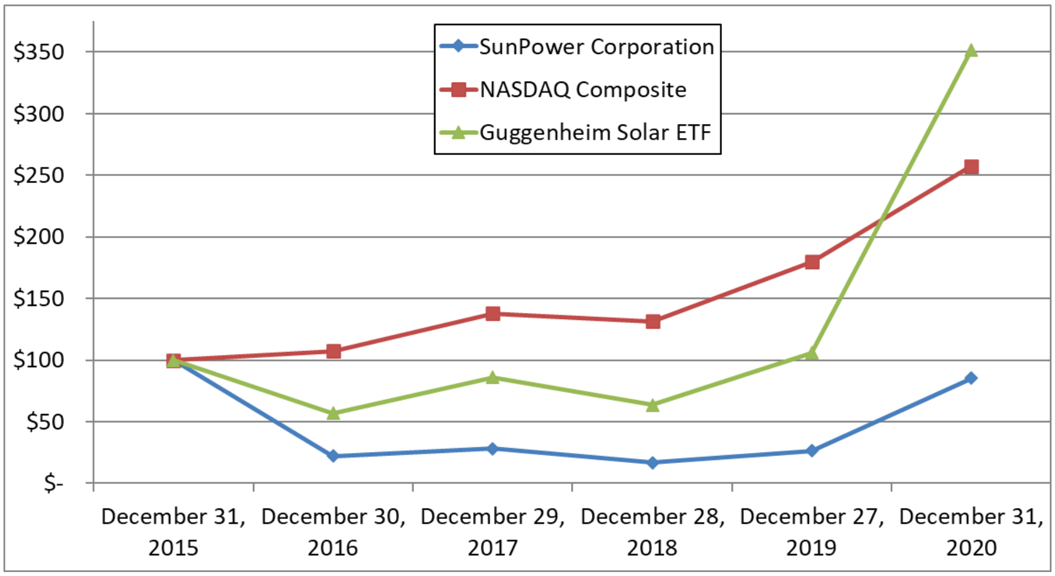
Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires certain of our executive officers and our directors, and persons who own more than 10% of a registered class of our equity securities, to file an initial report of ownership on Form 3 and reports of changes in ownership on Forms 4 or 5 with the SEC and The Nasdaq Global Select Market. Such executive officers, directors, and greater than 10% stockholders are also required by SEC regulations to furnish us with copies of all Section 16 forms that they file. We periodically remind our directors and executive officers of their reporting obligations and assist in making the required disclosures once we have been notified that a reportable event has occurred. We are required to report in this proxy statement any failure by any of the above-mentioned persons to make timely Section 16 reports.

Based solely on our review of the copies of such forms received by us, and written representations from our directors and executive officers, we are unaware of any instances of noncompliance, or late compliance, with Section 16(a) filing requirements by our directors, executive officers, or greater than 10% stockholders during fiscal 2020, except as follows: (i) the Form 4 filing for the conversion of 171,233 restricted stock units held by Jeffrey Waters to shares of common stock and subsequent disposition of a portion of such shares as payment of tax liability on January 5, 2020 was made on January 8, 2020; (ii) the Form 4 filing for Douglas Richards's acquisition of 100,279 restricted stock units and performance-based restricted stock units, conversion of 79,056 restricted stock units and performance-based restricted stock units to shares of common stock, and subsequent disposition of a portion of such shares as payment of tax liability on March 1, 2020 was made on March 4, 2020; (iii) the Form 4 filing for Kenneth Mahaffey's acquisition of 147,587 restricted stock units and performance-based restricted stock units, conversion of 60,399 restricted stock units and performance-based restricted stock units to shares of common stock, and subsequent disposition of a portion of such shares as payment of tax liability on March 1, 2020 was made on March 4, 2020; (iv) the Form 4 filing for Manavendra Sial's acquisition of 94,304 restricted stock units and performance-based restricted stock units, conversion of 37,740 restricted stock units and performance-based restricted stock units to shares of common stock, and subsequent disposition of a portion of such shares as payment of tax liability on March 1, 2020 was made on March 4, 2020; (v) the Form 4 filing for Jeffrey Waters's acquisition of 117,647 restricted stock units on February 29, 2020 was made on March 4, 2020; (vi) the Form 4 filing for Thomas Werner's acquisition of 133,050 performance-based restricted stock units, conversion of 160,343 restricted stock units and performance-based restricted stock units to shares of common stock, and subsequent disposition of a portion of such shares as payment of tax liability on March 1, 2020 was made on March 4, 2020; (vii) the Form 4 filing for Vichheka Heang's acquisition of 35,294 restricted stock units, conversion of 12,704 restricted stock units to shares of common stock, and subsequent disposition of a portion of such shares as payment of tax liability on March 1, 2020 was made on March 4, 2020; (viii) the Form 4 filing for Thomas McDaniel's transfer of 10,177 shares to the McDaniel Trust dated July 26, 2000 on May 18, 2020 was made on August 13, 2020; and (ix) the Form 4 filing for Thomas Werner's disposition of 60,000 shares of common stock on December 1, 2020 was made on December 4, 2020.

COMPANY STOCK PRICE PERFORMANCE

The following graph compares the performance of an investment in our common stock from December 31, 2015 through December 31, 2020, with the Nasdaq Composite index and with the Guggenheim Solar ETF. The graph assumes $100 was invested on December 31, 2015 in our common stock at the closing price of $30.01 per share, at the closing price for the Nasdaq Composite and at the closing price for the Guggenheim Solar ETF. In addition, the graph assumes that any dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance. The following graph is not, and shall not be deemed to be, filed as part of our Annual Report on Form 10-K. Such graph should not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933, or the Exchange Act, except to the extent specifically incorporated by reference therein by us.



ASSUMES $100 INVESTED ON DECEMBER 31, 2015
(ASSUMES DIVIDEND REINVESTED)
UNTIL FISCAL YEAR ENDED JANUARY 3, 2021

	December 30, 2016	December 29, 2017	December 28, 2018	December 27, 2019	December 31, 2020
SunPower Corporation	22.03	28.09	16.86	26.56	85.44
NASDAQ Composite	107.5	137.86	131.5	179.87	257.38
Guggenheim Solar ETF	56.76	86.08	63.61	105.75	352.01

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information as of January 3, 2021 with respect to our equity compensation plans under which our equity securities are authorized for issuance (in thousands, except dollar figures).

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders. .	—	—	17,953
Total[1]	—	—	17,953

(1) As of January 3, 2021, no options remained outstanding under our equity incentive plans. Under the terms of our equity incentive plans, we may issue incentive or non-statutory stock options, restricted stock awards, restricted stock units, or stock purchase rights to directors, employees, and consultants to purchase common stock. The SunPower Corporation 2015 Omnibus Incentive Plan includes an automatic share reserve increase feature effective for fiscal 2016 through fiscal 2025. This share reserve increase feature will cause an annual and automatic increase in the number of shares of our common stock reserved for issuance under the Stock Incentive Plan in an amount each year equal to the least of: 3% of the outstanding shares of our common stock measured on the last day of the immediately preceding fiscal year; 6,000,000 shares; and such other number of shares as determined by the Board. For the fiscal year ended January 3, 2021, the Board determined to not use the annual refresh.

PROPOSAL THREE

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2021

The Board, upon recommendation of the Audit Committee, has reappointed the firm of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 2, 2022, subject to ratification by our stockholders.

Ernst & Young LLP has served as our auditor since May 3, 2012. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to appropriate questions.

Stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required by our By-Laws or other applicable legal requirements. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate governance.

If the stockholders fail to ratify the selection of our independent registered accounting firm, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board, at its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our and our stockholders' best interests.

Ernst & Young LLP

Ernst & Young LLP fees incurred by us for fiscal 2019 and 2020 were as follows:

Services	2019 ($)	2020 ($)
Audit Fees	5,024,093	3,789,480
Audit-Related Fees	3,178,737	584,972
Tax Fees	2,346,879	1,690,396
All Other Fees	10,955	0
Total	10,560,664	6,064,849

- **Audit Fees:** Audit fees for fiscal 2019 and 2020 were for professional services rendered in connection with audits of our consolidated financial statements, statutory audits of our subsidiary companies, quarterly reviews, and assistance with documents that we filed with the SEC (including our Forms 10-Q and 8-K) for periods covering fiscal 2019 and 2020.
- **Audit-Related Fees:** Audit-related fees for 2019 and 2020 were for professional services rendered in connection with consultations with management on various accounting matters, including audit of financial statements of a carve-out entity and sell-side due diligence with respect to the previously announced Spin-Off.
- **Tax Fees:** Tax fees for 2019 and 2020 were for tax compliance and consulting services.
- **All Other Fees:** Other fees in 2019 and 2020 were for access to technical accounting services and advisory fees.

Audit Committee Pre-Approval

As required by Section 10A(i)(1) of the Exchange Act, our Audit Committee has adopted a pre-approval policy requiring that the Audit Committee pre-approve all audit and permissible non-audit services to be performed by our independent registered public accounting firm. Any proposed service that has received pre-approval but which will exceed pre-approved cost limits will require additional pre-approval by the Audit Committee. In addition, pursuant to Section 10A(i)(3) of the Exchange Act, the Audit Committee has established procedures by which the Audit Committee may from time to time delegate pre-approval authority to the Chairman of the Audit Committee. If the Chairman exercises this authority, he must report any pre-approval decisions to the full Audit Committee at its next meeting. The independent registered public accounting firm and our management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with the committee's pre-approval, and the fees for the services performed to date.

During fiscal 2019 and 2020, all services provided to us by Ernst & Young LLP were pre-approved by the Audit Committee in accordance with the pre-approval policy described above. The scope and services were reviewed and approved by the Audit Committee before the services were rendered. Ernst & Young LLP and our Audit Committee have each concluded that Ernst & Young LLP's objectivity and ability to exercise impartial judgment on all issues encompassed with the audit engagement has not been impaired because (i) the services did not include prohibited non-audit related services and (ii) the fees we paid were insignificant both to Ernst & Young LLP and to SunPower.

Vote Required

The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2021 requires the affirmative vote of the holders of a majority of our stock having voting power and in attendance or represented by proxy at the Annual Meeting. We do not expect ''broker non-votes'' on this proposal since this proposal is considered to be a routine proposal and brokers have discretionary authority to vote on this proposal. Abstentions will have the effect of votes against this proposal.

APPENDIX A

Use of Non-GAAP Financial Measures

Non-GAAP Adjustments Based on International Financial Reporting Standards ("IFRS")

The company's non-GAAP results include adjustments under IFRS that are consistent with the adjustments made in connection with the company's internal reporting process as part of its status as a consolidated subsidiary of TOTAL SE, our controlling shareholder and a foreign public registrant that reports under IFRS. Differences between GAAP and IFRS reflected in the company's non-GAAP results are further described below. In these situations, management believes that IFRS enables investors to better evaluate the company's performance, and assists in aligning the perspectives of the management with those of TOTAL SE.

- *8point3 Energy Partners:* The company included adjustments related to the sales of projects contributed to 8point3 based on the difference between the fair value of the consideration received and the net carrying value of the projects contributed, of which, a portion was deferred in proportion to our retained equity stake in 8point3. The deferred profit was subsequently recognized over time. Under GAAP, these sales were recognized under either real estate, lease, or consolidation accounting guidance depending upon the nature of the individual asset contributed, with outcomes ranging from no, partial, or full profit recognition. Under IFRS, profit was recognized on sales related to the residential lease portfolio, while for other projects sold, profit was deferred until these projects reached commercial operations. Equity in earnings of unconsolidated investees also included the impact of our share of 8point3's earnings related to sales of projects receiving sales recognition under IFRS but not GAAP. On June 19, 2018, the company sold its equity interest in the 8point3 Group.
- *Legacy utility and power plant projects:* The company included adjustments related to the revenue recognition of certain utility and power plant projects based on percentage-of-completion accounting and, when relevant, the allocation of revenue and margin to our project development efforts at the time of initial project sale. Under IFRS, such projects are accounted for when the customer obtains control of the promised goods or services which generally results in earlier recognition of revenue and profit than U.S. GAAP. Over the life of each project, cumulative revenue and gross margin will eventually be equivalent under both GAAP and IFRS; however, revenue and gross margin will generally be recognized earlier under IFRS.
- *Legacy sale-leaseback transactions:* The company included adjustments related to the revenue recognition on certain legacy sale-leaseback transactions entered into before December 31, 2018, based on the net proceeds received from the buyer-lessor. Under U.S. GAAP, these transactions were accounted for under the financing method in accordance with the applicable accounting guidance. Under such guidance, no revenue or profit is recognized at the inception of the transaction, and the net proceeds from the buyer-lessor are recorded as a financing liability. Imputed interest is recorded on the liability equal to our incremental borrowing rate adjusted solely to prevent negative amortization. Under IFRS, such revenue and profit is recognized at the time of sale to the buyer-lessor if certain criteria are met. Upon adoption of IFRS 16, Leases, on December 31, 2018, IFRS is aligned with GAAP.
- *Mark-to-market gain (loss) on equity investments*: The company recognizes adjustments related to the fair value of equity investments with readily determinable fair value based on the changes in the stock price of these equity investments at every reporting period. Under GAAP, mark-to-market gains and losses due to changes in stock prices for these securities are recorded in earnings while under IFRS, an election can be made to recognize such gains and losses in other comprehensive income. Such an election was made by TOTAL SE. Further, we elected the Fair Value Option (''FVO'') for some of our equity method investments, and we adjust the carrying value of those investments based on their fair market value calculated periodically. Such option is not available under IFRS, and equity method accounting is required for such investments. Management believes that excluding these adjustments on equity investments is consistent with the company's internal reporting process as part of its status as a consolidated subsidiary of TOTAL SE and better reflects its ongoing results.

Other Non-GAAP Adjustments

- *Gain/loss on sale and impairment of residential lease assets*: In fiscal 2018 and 2019, in an effort to deconsolidate all the residential lease assets owned by us, the company sold membership units representing a 49% membership interest in its residential lease business and retained a 51% membership interest. The loss on divestment, including adjustments to contingent consideration shortly after the closure of the transaction, and the remaining unsold residential lease assets impairment with its corresponding depreciation savings are excluded from the company's non-GAAP results as they are non-recurring in nature and not reflective of ongoing operating results.

- *Construction revenue on solar services contracts:* Upon adoption of the new lease accounting guidance ("ASC 842") in the first quarter of fiscal 2019, revenue and cost of revenue on solar services contracts with residential customers are recognized ratably over the term of those contracts, once the projects are placed in service. For non-GAAP results, the company recognizes revenue and cost of revenue upfront based on the expected cash proceeds to align with the legacy lease accounting guidance. Management believes it is appropriate to recognize revenue and cost of revenue upfront based on total expected cash proceeds, as it better reflects the company's ongoing results as such method aligns revenue and costs incurred most accurately in the same period. Starting in second quarter of fiscal 2020, we no longer have this non-GAAP measure.

- *Stock-based compensation:* Stock-based compensation relates primarily to the company's equity incentive awards. Stock-based compensation is a non-cash expense that is dependent on market forces that are difficult to predict. Management believes that this adjustment for stock-based compensation provides investors with a basis to measure the company's core performance, including compared with the performance of other companies, without the period-to-period variability created by stock-based compensation.

- *Amortization of intangible assets:* The company incurs amortization of intangible assets as a result of acquisitions, which includes patents, purchased technology, project pipeline assets, and in-process research and development. Management believes that it is appropriate to exclude these amortization charges from the company's non-GAAP financial measures as they arise from prior acquisitions, are not reflective of ongoing operating results and do not contribute to a meaningful evaluation of the company's past operating performance.

- *Business process improvements:* During the second quarter of fiscal 2019, the company initiated a project to improve its manufacturing and related processes to improve gross margin in the coming years and engaged third-party experts to consult on business process improvements. Management believes it is appropriate to exclude these consulting expenses from the non-GAAP financial measures as they are non-recurring in nature and are not reflective of the company's ongoing operating results.

- *Gain on business divestiture:* In the second quarter of fiscal 2020, the company sold its Operations and Maintenance ("O&M") services contracts to a third-party buyer. Similarly, in fiscal 2019, the company sold all of its membership interests in certain subsidiaries that own leasehold interests in projects subject to sale-leaseback financing arrangements. In connection with these divestitures, the company recognized a gain within its income statement in the period in which the sale was completed. Management believes that it is appropriate to exclude such gain from the company's non-GAAP financial measures as it is not reflective of ongoing operating results.

- *Transaction-related costs:* In connection with material non-recurring transactions such as the acquisition or divestiture of a business, the company incurs transaction costs including legal and accounting fees. Management believes that it is appropriate to exclude these costs from the company's non-GAAP results as they would not have otherwise been incurred as part of the company's business operations and are therefore not reflective of ongoing operating result.

- *Non-cash interest expense:* The company incurs non-cash interest expense related to the amortization of items such as original issuance discounts on its debt. The company excludes non-cash interest expense because the expense does not reflect its financial results in the period incurred. Management believes that this adjustment for non-cash interest expense provides investors with a basis to evaluate the company's performance, including compared with the performance of other companies, without non-cash interest expense.

- *Restructuring expenses:* The company incurs restructuring expenses related to reorganization plans aimed towards realigning resources consistent with the company's global strategy and improving its overall operating efficiency and cost structure. Although the company has engaged in restructuring activities in the past, each has been a discrete event based on a unique set of business objectives. Management believes that it is appropriate to exclude these from company's non-GAAP results as it is not reflective of ongoing operating results.

- *Litigation:* The company may be involved in various instances of litigation, claims and proceedings that result in payments or recoveries and excludes gains or losses associated with such events because the gains or losses do not reflect the underlying financial results in the period incurred. The company also excludes all expenses pertaining to litigation relating to businesses that discontinued as a result of spin-off of Maxeon Solar, for which the company indemnifying Maxeon Solar. Management believes that it is appropriate to exclude such charges from the non-GAAP results as they are not reflective of ongoing operating results.

- *Gain on convertible debt repurchased:* In connection with the early repurchase of a portion of the company's 0.875% Convertible debentures due June 1, 2021, the company recognized a gain, represented by the difference between the book value of the convertible debentures, net of the remaining unamortized discount prior to repurchase and the reacquisition price of the convertible notes upon repurchase. Management believes that it is appropriate to exclude these from the non-GAAP results as it is not reflective of ongoing operating results.

- *Tax effect*: This amount is used to present each of the adjustments described above on an after-tax basis in connection with the presentation of non-GAAP net income (loss) and non-GAAP net income (loss) per diluted share. The company's non-GAAP tax amount is based on estimated cash tax expense and reserves. The company forecasts its annual cash tax liability and allocates the tax to each quarter in a manner generally consistent with its GAAP methodology. This approach is designed to enhance investors' ability to understand the impact of the company's tax expense on its current operations, provide improved modeling accuracy, and substantially reduce fluctuations caused by GAAP to non-GAAP adjustments, which may not reflect actual cash tax expense, or tax impact of non-recurring items.

- *Adjusted EBITDA adjustments*: When calculating Adjusted EBITDA, in addition to adjustments described above, the company excludes the impact of the following items during the period:

    - Cash interest expense, net of interest income

    - Provision for income taxes

    - Depreciation

The company uses this non-GAAP financial measure to enable an evaluation of the Company's performance, including a comparison with the performance of other companies. For more information about these non-GAAP financial measures, see the tables captioned ''Reconciliations of GAAP Measures to Non-GAAP Measures'' set forth in our Form 8-K filed on February 17, 2021.

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Executive Officers

Thomas Werner
President, Chief Executive Officer
and Chairman of the Board

Manavendra Sial
Executive Vice President
and Chief Financial Officer

Kenneth Mahaffey
Executive Vice President
and General Counsel

Douglas Richards
Executive Vice President,
Administration

Board of Directors

Thomas Werner
Chairman of the Board

François Badoual
Director

Catherine Lesjak
Director

Thomas McDaniel
Director

Julien Pouget
Director

Denis Toulouse
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