CYPRESS®

EMBEDDED IN TOMORROW™

2016 ANNUAL REPORT

To our shareholders:

2016 was a pivotal year for Cypress and we're proud of what we accomplished!

Our new Cypress 3.0 vision and strategy have focused the company on markets growing faster than the semiconductor industry, including automotive, industrial and consumer applications within the emerging Internet of Things (IoT). We tackle the problems our customers care about and solve them with combinations of our microcontroller, wireless connectivity, analog, USB and memory products, together with the software that makes everything work seamlessly. After successfully integrating the Spansion and Broadcom IoT businesses, Cypress is now uniquely positioned to win with a leading portfolio of products, software, technology and talent. We are an embedded solutions company creating real and compelling value for our customers.

In March 2017, we put the world on notice, introducing the world's only microcontroller platform optimized for the IoT and launching our Cypress 3.0 brand with a powerful presence at the Embedded World event in Munich, the largest global gathering of embedded systems engineers. We embraced our new identity as the problem solver our customers can rely on.

Since being named CEO, I've spent more than 50% of my time visiting customers. This top-level engagement is a major change for Cypress. We are now an externally focused company. As I tell our 6,200 employees, "everyone sells." The response from our customers is consistent and clear: *The world is moving faster than ever and they expect us to help them manage the pace of change by solving problems in new ways*; our innovation is their differentiation. Our Cypress culture is also shifting to empower employees with the support they need to meet this expectation.

Our 2016 financial results were strong. We grew our revenue while expanding gross margins. GAAP revenue of $1.92 billion and non-GAAP revenue of $1.94 billion reflected year-on-year growth of 20% and 19%, respectively. Revenue from key Automotive and Industrial markets ended the year at 55% of our total, compared with just 30% in 2011. These predictable and stable markets will be the foundation of our company moving forward.

Our Automotive business grew 37% year-on-year in 2016. Revenue from the wireless connectivity solutions we acquired from Broadcom exceeded our expectations, increasing 15.6% sequentially in the fourth quarter of 2016. We have the broadest, most robust portfolio of wireless IoT solutions in the industry, with powerful cross-selling opportunities across our customer base and sales channels. Cypress also leads in the fast-growing market for USB-C controllers, which bring versatility and power delivery to a wide range of electronics.

We're excited about the future. Our Cypress 3.0 strategy is translating into results. We will continue to grow profitably in 2017 with a focus on gross margin expansion.

Our team is focused, confident and energized by the opportunities before us as we remain firmly committed to delivering exceptional customer and shareholder value.

I'd like to take this opportunity to thank our customers, partners and employees, whose success and satisfaction are our first priority.

Hassane El-Khoury

President and CEO

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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 1, 2017

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: 1-10079

CYPRESS SEMICONDUCTOR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**94-2885898**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

198 Champion Court, San Jose, California 95134
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(408) 943-2600**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	The NASDAQ Stock 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 Section 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

The market value of voting and non-voting common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on July 3, 2016 as reported on the NASDAQ Global Select Market, was approximately $3.4 billion. Shares of common stock held by each executive officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded from the foregoing calculation in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 23, 2017, 327,893,924 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the registrant's Annual Meeting of Stockholders to be filed pursuant to Regulation 14A for the year ended January 1, 2017 are incorporated by reference in Items 10 - 14 of Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

The discussion in this Annual Report on Form 10-K contains statements that are not historical in nature, but are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, including, but not limited to, statements related to: our pursuit of long-term growth initiatives, including our Cypress 3.0 strategy; expected improvements in margin and our ability to successfully execute on our margin improvement plan; our manufacturing strategy; the anticipated impact of our acquisitions, dispositions and restructuring activities, including our acquisition of the IoT business of Broadcom Ltd. in July 2016 and our integration with Spansion Inc. ("Spansion") as a result of our 2015 merger with Spansion; our ability to execute on planned synergies related to the Spansion merger; anticipated growth opportunities in the automotive, IoT and industrial markets; our expectations regarding dividends and stock repurchases; our expectations regarding future technology transfers and other licensing arrangements; our efforts to license and/or monetize our intellectual property portfolio; our expectations regarding the timing and cost of our restructuring liabilities; our expectations regarding our active litigation matters and our intent to defend ourselves in those matters; the competitive advantage we believe we have with our patents as well as our proprietary programmable technologies and programmable products; our plans for our products, pricing, and marketing efforts, including the potential impact on our customer base if we were to raise our prices; our backlog as an indicator of future performance; our ability to pay down our indebtedness and continue to meet the covenants set forth in our debt agreements; the risk associated with our yield investment agreements; our foreign currency exposure and the impact exchange rates could have on our operating margins; the adequacy of our cash and working capital positions; the value and liquidity of our investments, including auction rate securities and our other debt investments; our ability to recognize certain unrecognized tax benefits within the next twelve months as well as the resolution of agreements with various foreign tax authorities; our investment strategy; the impact of interest rate fluctuations on our investments; the volatility of our stock price; the impact of actions by stockholder activists, including any related litigation proceedings; the adequacy of our real estate properties; the utility of our non-GAAP reporting; the adequacy of our audits; the potential impact of our indemnification obligations; and the impact of new accounting standards on our financial statements and our ability to recognize revenue. We use words such as "may," "will," "should," "plan," "anticipate," "believe," "expect," "future," "intend," "estimate," "predict," "potential," "continue," and similar expressions to identify forward-looking statements. Such forward-looking statements are made as of the date hereof and are based on our current expectations, beliefs and intentions regarding future events or our financial performance and the information available to management as of the date hereof. In addition, readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by law, we assume no responsibility to update any such forward-looking statements. Our actual results could differ materially from those expected, discussed or projected in the forward-looking statements contained in this Annual Report on Form 10-K for any number of reasons, including, but not limited to: the state and future of the general economy and its impact on the markets and consumers we serve and our investments; our ability to execute on our Cypress 3.0 strategy and our margin improvement plan; our ability to effectively integrate our company with Spansion in a timely manner; our ability to effectively integrate the Broadcom IoT assets; our ability to attract and retain key personnel; our ability to timely deliver our proprietary and programmable technologies and products; the current credit conditions; our ability to retain and expand our customer base, which may be adversely affected if we were to raise our prices; our ability to transform our business with a leading portfolio of programmable products; the number and nature of our competitors; the changing environment and/or cycles of the semiconductor industry; foreign currency exchange rates; our ability to efficiently manage our manufacturing facilities and achieve our cost goals emanating from our flexible manufacturing strategy; our ability to achieve our goals related to our restructuring activities; our success in our pending litigation matters; our ability to pay down our indebtedness and continue to meet the covenants set forth in our debt agreements; our ability to manage our investments and interest rate and exchange rate exposure; changes in the law; the results of our pending tax examinations; our ability to achieve liquidity in our investments; the failure or success of our internal startups; and/or the materialization of one or more of the risks set forth above or under Part I, Item 1A (*Risk Factors*) in this Annual Report on Form 10-K.

PART I

ITEM 1.

General

Cypress manufactures advanced embedded system solutions for automotive, industrial, home automation and appliances, consumer electronics and medical products. Cypress's programmable systems-on-chip, general-purpose microcontrollers, analog ICs, wireless and USB-C based connectivity solutions and memories help engineers design differentiated products. Cypress is committed to providing customers with support and engineering resources enabling innovators and out-of-the-box thinkers to disrupt markets and create new product categories in record time.

Cypress was incorporated in California in December 1982. Our stock is listed on the Nasdaq Global Select Market under the ticker symbol "CY".

Our corporate headquarters are located at 198 Champion Court, San Jose, California 95134, and our main telephone number is (408) 943-2600. We maintain a website at *www.cypress.com*. The contents of our website are not incorporated into, or otherwise to be regarded as part of, this Annual Report on Form 10-K.

Our fiscal 2016 ended on January 1, 2017, fiscal 2015 ended on January 3, 2016, and fiscal 2014 ended on December 28, 2014.

Acquisitions & Divestitures

In March 2015, we completed a merger ("Merger") with Spansion Inc. ("Spansion") for a total consideration of approximately $2.8 billion. Spansion was a leading designer, manufacturer and developer of embedded systems semiconductors with flash memory, microcontrollers, analog and mixed-signal products.

In August 2015, we completed the sale of the TrueTouch® mobile touchscreen business to Parade Technologies ("Parade") for total cash proceeds of $98.6 million. Post-sale, we continued to provide TrueTouch® solutions to our automotive, industrial and home appliance customers.

In July 2016, we completed the acquisition of the Wireless Internet of Things ("IoT") business and related assets of Broadcom Limited in an all-cash transaction valued at $550 million. Cypress now offers state-of-the-art Wi-Fi®, Bluetooth® and ZigBee® connectivity product lines, along with supporting intellectual property and the WICED™ brand Software Development Kit (SDK), developer ecosystem and community. These technologies, combined with our Microcontroller ("MCU") analog and memory products, provide customers with solutions for connected embedded systems in our key automotive and industrial markets.

Business Strategy

Our primary focus is profitable growth in our key markets. We plan to capitalize on our product portfolio to extend our penetration of global markets such as automotive, industrial, IoT, communications, consumer, and computation markets. Our revenue model is based on the following product and market strategies: (a) growing revenue from our programmable solutions and derivatives including PSoC programmable system-on-chip and general microcontrollers in the automotive and industrial markets, (b) increasing our connectivity revenue through the introduction of new products such as Wi-Fi, Bluetooth®, Bluetooth Low Energy and ZigBee® solutions for the IoT and other applications, USB-C and USB Power Delivery solutions and SuperSpeed USB 3.0 peripheral controllers and (c) increasing profitability in our memory products by leveraging our market position and expanding our portfolio with new and complementary products. We monitor our operating expenses closely to improve our operating leverage as driven by various company-wide initiatives.

During the third quarter of fiscal 2016 under the leadership of our new CEO, we have launched various long term strategic corporate transformation initiatives, collectively being referred to as Cypress 3.0 initiatives, that intend to increase our focus on becoming a solution driven company, increase ease of doing business, redeploy personnel and resources to target markets segments that are expected to grow faster than the industry and streamline our internal processes.

In order to achieve our goals on revenue growth and profitability, Cypress will continue to pursue the following strategies:

- *Focus on markets growing faster than the overall semiconductor industry.* We will continue to pursue business opportunities in fast-growing market segments, particularly in the automotive, industrial and IoT markets.
- *Improve gross margins.* Cypress has appointed an executive vice president to directly manage our plan to improve gross margins, which includes reducing our excess inventory, transferring manufacturing to improve utilization at our Fab 25 in Austin, Texas, and our strategy to build up our solutions portfolio targeted at segments in the automotive, industrial and IoT markets that are growing faster than the overall semiconductor industry.
- *Drive profitability.* Cypress has implemented and maintained a tight, corporate wide focus on gross margin and operating expenses. We are committed to maintaining our current strong operating expense management without compromising our new product development.
- *Collaborate with customers to build system-level solutions.* We work closely with our customers from initial product design through manufacturing and delivery to optimize their design efforts, help them achieve product differentiation, improve their time-to-market and help them to develop whole product solutions.
- *Drive programmable technologies, extend our leadership in programmable products and drive PSoC and microcontroller proliferation.* We will continue to define, design and develop new programmable products and solutions that offer our customers increased flexibility, efficiency and higher performance. We will continue to drive PSoC and microcontroller adoption in our key market segments.
- *Cross-sell products from Cypress's expanded product portfolio in the wake of the Spansion merger and Broadcom IoT acquisition as embedded systems solutions*. We will continue to take advantage of product and business synergies and grow our top-line revenue.
- *Identify and exit legacy or non-strategic, underperforming businesses.* We will continue to monitor and, if necessary, to exit certain business units that are inconsistent with our future initiatives and long-term financial plans so that we can focus our resources and efforts on our core programmable and proprietary business model.
- *Pursue complementary strategic relationships.* We will continue to assess opportunities to develop strategic relationships through acquisitions, investments, licensing and joint development projects. We will also continue to make investments in current as well as new ventures.
- *Leverage flexible manufacturing.* Our manufacturing strategy combines capacity from leading foundries with output from our internal manufacturing facility. This enables us to meet rapid swings in customer demand while reducing the burden of high fixed costs.

As we continue to implement our strategies, there are many internal and external factors that could impact our ability to meet any or all of our objectives. Some of these factors are discussed under Item 1A Risk Factors.

Business Segments

During the fourth quarter of fiscal 2016, we restructured our organization to include the following business segments to streamline our operations and improve our go-to-market strategy:

Business Segments	Description
Microcontroller and Connectivity Division ("**MCD**")	MCD focuses on high-performance microcontroller (MCU), analog and wireless and wired connectivity solutions. The portfolio includes Traveo™ automotive MCUs, PSoC® programmable system-on-chip MCUs, ARM® Cortex®-M4, -M3, -M0+ MCUs and R4 CPUs, analog PMIC Power Management ICs, CapSense® capacitive-sensing controllers, TrueTouch® touchscreen and fingerprint reader products, Wi-Fi®, Bluetooth®, Bluetooth Low Energy and ZigBee® radios and WICED® development platform for the Internet of Things ("IoT"), and USB controllers, including solutions for the USB-C and USB Power Delivery (PD) standards. MCD includes wireless IoT connectivity solutions acquired from Broadcom effective July 5, 2016. This division also includes our intellectual property (IP) foundry business. The historical results of MCD include our subsidiary Deca Technologies, Inc.
Memory Products Division ("**MPD**")	MPD focuses on high-performance parallel and serial NOR flash memories, NAND flash memories, static random access memory (SRAM), F-RAM™ ferroelectric memory devices and other specialty memories. This division also includes our subsidiary AgigA, Tech Inc.

For additional information on our segments, see Note 21 of the Notes to the Consolidated Financial Statements under Item 8.

Product Overview

The following table summarizes the markets and certain applications related to our products in the MCD segment:

Products	Markets	Applications
Traveo™ MCUs and Flexible MCUs	Automotive, industrial, IoT, consumer, computation, white goods, communication	Automotive instrument clusters, body electronics, power management, driver information systems, factory automation, machine-to-machine systems, building management systems, smart meters, printers and many other applications.
PSoC® 1, PSoC 3, PSoC 4 and PSoC 5LP	Automotive, industrial, IoT, white goods, consumer, handsets, medical, communications	IoT applications, industrial and automotive control applications, digital still and video cameras, home appliances, handheld devices and accessories, notebook computers, LCD monitors, medical devices, mice, keyboards, toys, white goods and many other applications.
CapSense®	Automotive, industrial, IoT, white goods, consumer, handsets, medical, computation, communication	Home appliances, handheld devices, wearables, automotive control pads/ media centers, digital cameras, toys, consumer products, notebook computers and PCs, and many other applications.
TrueTouch®	Automotive, industrial	Automotive infotainment systems, and factory automation.
Analog PMICs and energy harvesting solutions	Automotive, industrial, IoT, consumer	Instrument cluster systems, Advanced Driver Assistance Systems (ADAS), body control modules, factory automation, IoT beacons, wireless sensor nodes and many other applications.
Wi-Fi®, Bluetooth®, Bluetooth Low Energy and ZigBee®	IoT, automotive, industrial, consumer, white goods, PC peripherals	IoT applications, wearables, smart home appliances, industrial automation equipment, connected cars, mice, appliances, keyboards, wireless headsets, consumer electronics, gamepads, remote controls, toys, presenter tools and many other applications.
USB controllers	Industrial, handset, PC and peripherals, consumer electronics	Printers, cameras, machine vision and other industrial equipment, mice, keyboards, handheld devices, gamepads and joysticks, VoIP phones, headsets, presenter tools, dongles, point of sale devices and bar code scanners.
EZ-PD™ controllers for USB-C with Power Delivery	PC and peripherals, mobile devices, consumer electronics, IoT	PCs and peripherals smartphones, USB-C power adapters, USB-C adapter cables, monitors, docking stations and many other applications.

The following table summarizes the markets and applications related to our products in the MPD segment:

Products	Markets	Applications
NOR Flash and HyperFlash™	Automotive, industrial, IoT, consumer	Automotive advanced driver assistance systems (ADAS), automotive instrument cluster, automotive infotainment systems, networking routers and switches, high-definition televisions and set-top boxes, digital SLR cameras, toys, wearables and many other applications.
NAND Flash	Industrial, IoT, consumer	Set-top boxes, point-of-sale systems, security systems, wearables, toys, smart home appliances and many other applications.
HyperRAM™	Automotive, industrial, IoT	Automotive advanced driver assistance systems (ADAS), automotive instrument cluster, automotive infotainment systems, digital cameras, projectors, factory automation, medical equipment, home automation and appliances, handhelds and many other applications.
Asynchronous SRAMs	Consumer, networking, industrial	Consumer electronics, switches and routers, test equipment, automotive and industrial electronics.
Synchronous SRAMs	Telecommunications, networking	Enterprise routers and switches, wireless base stations, high bandwidth applications and industrial and defense electronics.
nvSRAMs	Networking, industrial	Point of sale terminals, set-top boxes, copiers, industrial automation, printers, single- board computers Redundant array of independent disk (RAID) servers, and gaming.
F-RAMs	Automotive, medical	Smart meters, aerospace, medical systems, automotive, industrial controls, electronic point-of-sale terminals, printers and wireless (RFID) memory.
Specialty Memories and Clocks	Networking, telecommunication, video, data communications, computation	Medical and instrumentation, storage, wireless infrastructure, military communications, Video, data communications, telecommunications, and network switching/routing, set-top boxes, copiers, printers, HDTV, Industrial automation, printers, single-board computers, IP phones, image processors and base stations.

Manufacturing

Our core manufacturing strategy—"flexible manufacturing"—combines capacity from external foundries with output from our internal manufacturing facilities. This initiative allows us to meet rapid swings in customer demand while limiting Capital expenditure requirements and lessening the burden of high fixed costs, a capability that is particularly important with our rapidly evolving product portfolio.

As at end of fiscal 2016, we owned wafer manufacturing facilities in Austin, Texas and Bloomington, Minnesota. External wafer foundries, mainly in Asia, manufactured approximately 55% of our products and we expect that our wafer foundry partners will continue to increase their manufacturing as a percentage of total output.

We conduct assembly and test operations at our facilities in Cavite Philippines and Bangkok, Thailand. These facilities account for approximately 40% of the total assembly output and 51% of the total test output. Various subcontractors in Asia perform the balance of the assembly and test operations.

Our facilities in the Philippines and Thailand perform assembly and test operations, manufacturing volume products and packages where our ability to leverage manufacturing costs is high. The Philippines facility has ten integrated, automated manufacturing lines enabling complete assembly and test operations ("Autolines"). These autolines require fewer people to run and have shorter manufacturing cycle times than conventional assembly/test operations, which enable us to respond more rapidly to changes in demand.

We have a foundry partnership with HuaHong Grace Semiconductor Manufacturing Corporation ("Grace"), located in Shanghai, China. We purchase 0.35-micron Sonos, 0.13- micron SRAM and Logic and 0.09-micron SRAM process-based products from Grace. We have a foundry partnership with United Microelectronics Corporation ("UMC"), located in Taiwan.

We have agreements with Fujitsu Semiconductor Limited ("FSL"), XMC and SK Hynix Inc. ("SK Hynix"). Agreements with FSL include agreements for the supply of product wafer foundry services, sort services and assembly and test services relating to the microcontroller and analog businesses. These agreements are at competitive market rates and enable us to leverage FSL's existing manufacturing capabilities and relationships with its partners spanning across various technologies, processes, geometries and wafer sizes in their wafer fabrication facilities and package solutions in their back-end manufacturing facilities, until such time that we can either move these internally to our fabrication and back-end facilities or find alternative solutions. For FSL, the fabrication facilities are all located in Japan, while the back-end facilities are in Japan and other Asian countries. The arrangement with XMC provides production support for advanced NOR technology products at 65nm, 45nm and development of 32 nanometers. The arrangement with SK Hynix provides for the development and supply of SLC NAND products at the 4x and 3x nodes.

Additionally, we have assembly and test service relationships with Advanced Semiconductor Engineering, Inc.("ASE") and foundry relationship with Semiconductor Manufacturing International Corporation ("SMIC").

Research and Development

Our research and development efforts are focused on the development and design of new semiconductor products, as well as the continued development of advanced software platforms. Our goal is to increase efficiency in order to maintain our competitive advantage. Our research and development organization works closely with our manufacturing facilities, suppliers and customers to improve our semiconductor designs and lower our manufacturing costs. During fiscal 2016, 2015 and 2014, research and development expenses totaled $331.7 million, $281.4 million and $164.6 million, respectively.

Our research and development groups focus on new product creation and improvement of design methodologies. These groups conduct ongoing efforts to reduce design cycle time and increase first pass yield through structured re-use of intellectual property blocks from a controlled intellectual property library, development of computer-aided design tools and improved design business processes. Design and related software development work primarily occurs at design centers located in the United States, Europe, India, Japan and China.

Customers, Sales and Marketing

We sell our semiconductor products through several channels: sales through global domestically-based distributors; sales through international distributors and manufacturing representative firms; and sales by our sales force to direct original equipment manufacturers and their suppliers. Our marketing and sales efforts are organized around five regions.

Our marketing activities target customers, reference design houses and our potential partners; and include a combination of direct marketing activities such as trade shows, events and marketing. We augment our sales effort with field application engineers, specialists in our products, technologies and services who work with customers to design our products into their systems. Field application engineers also help us identify emerging markets and new products.

Outstanding accounts receivable from Fujitsu Electronics Inc., one of our distributors accounted for 24% of our consolidated accounts receivable as of January 1, 2017. Outstanding accounts receivable from two of our distributors accounted for 42% and 11%, respectively, of our consolidated accounts receivable as of January 3, 2016.

Revenue generated through Fujitsu Electronics Inc., one of our distributors, accounted for 23% of our consolidated revenues for fiscal 2016.

Revenue generated through Fujitsu Electronics Inc. and Avnet, Inc., two of our distributors, accounted for 25% and 10%, respectively, of our consolidated revenues for fiscal 2015.

Revenue generated through Avnet, Inc., Weikeng Industrial Co. Ltd and Future, Inc., three of our distributors, accounted for 13%, 10% and 10%, respectively, of our consolidated revenues for fiscal 2014.

Backlog

Our sales typically rely upon standard purchase orders for delivery of products with relatively short delivery lead times. Customer relationships are generally not subject to long-term contracts. However, we have entered into long-term supply agreements with certain customers. These long-term supply agreements generally do not contain minimum purchase commitments. Products to be delivered and the related delivery schedules under these long-term contracts are frequently revised to reflect changes in customer needs. Accordingly, our backlog at any particular date is not necessarily representative of actual sales for any succeeding period. We believe that our backlog is not a meaningful indicator of future revenues.

Competition

The semiconductor industry is intensely competitive and continually evolving. This intense competition results in a challenging operating environment for most companies in this industry. This environment is characterized by the potential erosion of sale prices over the life of each product, rapid technological change, limited product life cycles, greater brand recognition and strong domestic and foreign competition in many markets. Our ability to compete successfully depends on many factors, including:

- our success in developing new products and manufacturing technologies;
- delivery, performance, quality and price of our products;
- diversity of our products and timeliness of new product introductions;
- cost effectiveness of our design, development, manufacturing and marketing efforts;
- quality of our customer service, relationships and reputation;

- overall success with which our customers market their products and solutions that incorporate our products; and
- number and nature of our competitors and general economic conditions.

We face competition from domestic and foreign semiconductor manufacturers, many of which have advanced technological capabilities and have increased their participation in the markets in which we operate. We compete with a large number of companies primarily in the automotive, industrial, IoT, communications, consumer, computation, data communications and mobile markets. Companies that compete directly with our semiconductor businesses include, but are not limited to, Alcor Micro, Dialog Semiconductor, Everspin Technologies, Fujitsu, Genesys Logic, GigaDevice Semiconductor, GSI Technology, Infineon, Integrated Device Technology, Integrated Silicon Solution, Lattice Semiconductor (subject to a pending acquisition by Canyon Bridge), Macronix, Marvell, MediaTek, Microchip Technology (including the legacy Atmel business), Micron Technology, Nordic Semiconductor, NXP Semiconductors NV (subject to a pending acquisition by Qualcomm), Qualcomm, Realtek, Renesas, Richtek, Silicon Laboratories, ST Microelectronics, Texas Instruments, Toshiba, VIA Labs, and Winbond.

Environmental Regulations

We use, generate and discharge hazardous chemicals and waste in our research and development and manufacturing activities. United States federal, state and local regulations, in addition to those of other foreign countries in which we operate, impose various environmental rules and obligations, which are becoming increasingly stringent over time, intended to protect the environment and in particular regulate the management and disposal of hazardous substances. We also face increasing complexity in our product design as we adjust to new and future requirements relating to the materials composition of our products, including the restrictions on lead and other hazardous substances that apply to specified electronic products put on the market in the European Union (Restriction on the Use of Hazardous Substances Directive 2002/95/EC, also known as the “RoHS Directive”) and similar legislation in China and California. We are committed to the continual improvement of our environmental systems and controls. However, we cannot provide assurance that we have been, or will at all times be, in complete compliance with all environmental laws and regulations. Other laws impose liability on owners and operators of real property for any contamination of the property even if they did not cause or know of the contamination. While to date we have not experienced any material adverse impact on our business from environmental regulations, we cannot provide assurance that environmental regulations will not impose expensive obligations on us in the future, or otherwise result in the incurrence of liability such as the following:

- a requirement to increase capital or other costs to comply with such regulations or to restrict discharges;
- liabilities to our employees and/or third parties; and
- business interruptions as a consequence of permit suspensions or revocations or as a consequence of the granting of injunctions requested by governmental agencies or private parties.

Intellectual Property

We have an active program to obtain patent and other intellectual property protection for our proprietary technologies, products and other inventions that are aligned with our strategic initiatives. We rely on a combination of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance our competitive position in the domestic and international markets we serve. As of the end of fiscal 2016, we had approximately 4,000 issued patents and approximately 1,200 additional patent applications on file domestically and internationally. In addition, in fiscal 2017 we are preparing to file up to 40 new patent applications in the United States and up to 60 foreign applications, predominantly in Europe and Asia. The average remaining life of our domestic patent portfolio is approximately 9 years.

In addition to factors such as innovation, technological expertise and experienced personnel, we believe that patents are increasingly important to remain competitive in our industry, defend our position in existing markets and to facilitate the entry of our proprietary products into new markets. As our technologies are deployed in new applications and we face new competitors, we will likely subject ourselves to new potential infringement claims and discover third party infringement of our intellectual property. Patent litigation, if and when instituted against us, could result in substantial costs and a diversion of our management's attention and resources. We are committed to vigorously defending and protecting our investment in our intellectual property. Therefore, the strength of our intellectual property program, including the breadth and depth of our portfolio, will be critical to our success in the new markets we intend to pursue.

We perform an analysis of our intellectual property portfolio on an on-going basis to ensure we are deriving the full value of our assets. Accordingly, we continue to evaluate certain unaligned patents as well as other monetization models for our patent portfolio. In August 2016, we entered into a series of agreements to divest a large number of older, legacy patents that were not relevant to our current business, including our focus on high-growth opportunities in the automotive, industrial and IoT markets. Based on the terms of the various agreements, the divestiture of these patents will reduce our operating expenses (associated with our patent portfolio) and may lead to future contingent revenue.

Employees

As of January 1, 2017, we had 6,546 employees. Geographically, 2,227 employees were located in the United States, 1,114 employees were located in the Philippines, 1,032 in Thailand, 580 in Japan, 272 employees were located in Malaysia, 540 employees were located in India and 781 employees were located in other countries. Of the total employees, 3,786 employees were associated with manufacturing, 1,195 employees were associated with selling, general and administrative functions and 1,565 employees were associated with research and development.

Approximately 324 employees in Japan are represented by a collective bargaining agreement. We have never experienced organized work stoppages.

Executive Officers of the Registrant as of January 1, 2017

Certain information regarding each of our executive officers is set forth below:

Name	Age	Position
Hassane El-Khoury	37	President, Chief Executive Officer and Director
Thad Trent	49	Executive Vice President, Finance and Administration and Chief Financial Officer
Dana C. Nazarian	50	Executive Vice President, Operations & Technology
H. Raymond Bingham	71	Executive Chairman

Hassane El-Khoury was named President, Chief Executive Officer and Director in August 2016. Previously, Mr. El-Khoury served as Executive Vice President, prior Programmable Systems Division now part of Microcontroller and Connectivity Division, from 2012 until his appointment as President and Chief Executive Officer. Prior to that, from 2010 to 2012, Mr. El-Khoury served as Senior Director of the Company's Automotive Business Unit. Prior to joining the Company, from 1999 to 2007, Mr. El-Khoury served as Senior Design Engineer at Continental Automotive Designs, a German automotive manufacturing company specializing in tires, brake systems, interior electronics, automotive safety, powertrain and chassis components, tachographs, and other parts for the automotive and transportation industry. Mr. El-Khoury holds a Bachelor of Science degree in Electrical Engineering from Lawrence Technological University and a Master of Sciences degree in Engineering Management from Oakland University.

Thad Trent has been the Chief Financial Officer and Executive Vice President of Finance & Administration since June 2014. Prior to his current position, Mr. Trent served as Cypress's Vice President of Finance. Mr. Trent is a 23-year veteran of the technology industry. He held finance management roles at publicly traded companies Wind River Systems and Wyle Electronics, as well as two technology startups. Mr. Trent joined Cypress in 2005 and served as Vice President of Finance since 2010. Most recently, he has led the finance activities for business units, sales and marketing, and distribution groups, and he has supervised financial reporting, accounting, and planning and analysis. Mr. Trent sits on the board of directors of Cypress's internal subsidiaries. Mr. Trent earned his Bachelor of Science in Business Administration and Finance at San Diego State University.

Dana C. Nazarian was named Executive Vice President, Operations & Technology in August 2016. Prior to that, Mr. Nazarian served as Executive Vice President, Memory Products Division from February 2009 to August 2016. Mr. Nazarian started his career with Cypress in 1988. Prior to his current position, Mr. Nazarian held various management positions, which included oversight of significant operations in our former Round Rock, Texas facility and Vice President of our Synchronous SRAM business unit. Mr. Nazarian currently sits on the Board of Directors of Deca Technologies Inc. Mr. Nazarian graduated from Rensselaer Polytechnic Institute in 1988 with a bachelor's degree in electrical engineering.

H. Raymond Bingham is the Executive Chairman of our Board of Directors. He was appointed to this role in August 2016. Mr. Bingham previously served as the Chairman of our Board of Directors, and prior to that as the Chairman of the Board of Spansion Inc. from 2010 to 2015. In December 2016, Mr. Bingham formally joined Canyon Bridge Capital Partners, a global private equity investment firm, as a partner. In January 2016, Mr. Bingham joined Riverwood Capital Management, a private equity firm that invests in high growth technology companies, as an Advisory Director. Prior to joining Riverwood Capital, Mr. Bingham was an Advisory Director with General Atlantic LLC, a global private equity firm, from 2010 to 2015 and a Managing Director from 2006 to 2009, leading the firm's Palo Alto office. From 1993 to 2005, Mr. Bingham served in executive management roles at Cadence Design Systems, Inc., the world's leading electronic design automation ("EDA") software company. He served as a director of Cadence from 1997 to 2005, and was named Executive Chairman in 2004. Prior to being named Executive Chairman (at Cadence), he served as President and Chief Executive Officer of Cadence from 1999 to 2004 and as Executive Vice President and Chief Financial Officer from 1993 to 1999. Mr. Bingham serves on the board of directors of Oracle Corporation and as the Chairman of the board of Flextronics International Ltd. and of the board of TriNet Group, Inc. Mr. Bingham received a Masters of Business Administration degree from the Harvard Business School and a Bachelor of Science degree in Economics (with honors) from Weber State University.

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, as amended, free of charge on our website at *www.cypress.com* , as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). By referring to our website, we do not incorporate such website or its contents into this Annual Report on Form 10-K.

Additionally, copies of materials filed by us with the SEC may be accessed at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at *www.sec.gov*. For information about the SEC's Public Reference Room, contact 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

Unfavorable economic and market conditions, domestically and internationally, may adversely affect our business, financial condition, results of operations and cash flows.

We have significant customer sales both in the U.S. and internationally. We are also reliant upon U.S. and international suppliers, manufacturing partners and distributors. We are therefore susceptible to adverse U.S. and international economic and market conditions. If any of our manufacturing partners, customers, distributors or suppliers experience serious financial difficulties or cease operations, our business will be adversely affected. In addition, the adverse impact of an unfavorable economy on consumers, including high unemployment rates, may adversely impact consumer spending, which will adversely impact demand for products such as certain end products in which our products are embedded. In addition, prices of certain commodities, including oil, metals, grains and other food products, are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, market speculation, government regulations and periodic delays in delivery. High or volatile commodity prices increase the cost of doing business and adversely affect consumers' discretionary spending. As a result of the difficulty that businesses (including our customers) may have in obtaining credit, the increasing and/or volatile costs of commodities and the decreased consumer spending that may result from weakness in the general global economy, global economic and market turmoil are likely to have an adverse impact on our business, financial condition, results of operations and cash flows.

The trading price of our common stock has been and will likely continue to be volatile due to various factors, some of which are beyond our control, and each of which could adversely affect our stockholders' value.

The trading price of our common stock has been and will likely continue to be volatile due to various factors, some of which are beyond our control, including, but not limited to:

- Revenue fluctuations due to unexpected shifts in customer orders;
- Announcements about our earnings or the earnings of our competitors that are not in line with analyst expectations;
- Our ability to continue to integrate and streamline our operations and achieve cost savings after our 2015 merger with Spansion;
- The impact on our business and financial results of our July 2016 acquisition of the IoT business of Broadcom Corporation;
- Our ability to execute on the strategy outlined by our new CEO and our gross margin improvement plan;
- Credit conditions and our ability to refinance our existing debt at commercially reasonable terms, which may limit the Company's working capital;
- Quarterly variations in our results of operations or those of our competitors;
- Announcements by us or our competitors of acquisitions, new products, significant contracts, design wins, commercial relationships or capital commitments;
- The perceptions of general market conditions in the semiconductor industry (including recent trends toward consolidation in the semiconductor industry) and global market conditions;

- Our ability to develop and market new and enhanced products on a timely basis;
- Any major change in our board or senior management;
- Changes in governmental regulations or in the status of our regulatory compliance that impact our business;
- Recommendations by securities analysts or changes in earnings estimates concerning us or our customers or competitors;
- The volume of short sales, hedging and other derivative transactions on shares of our common stock;
- Economic conditions and growth expectations in the markets we serve;
- Changes in our policy regarding dividends or our ability to declare a dividend;
- Changes in our policy regarding stock repurchases or our ability to repurchase shares of our common stock;
- Supply disruption or price increases from third party manufacturing partners; and
- Litigation, including any disputes or legal proceedings associated with activist investors.

Further, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

In the second quarter of 2016, we incurred a material impairment charge with respect to our goodwill, and we may in the future incur impairments in the value of our goodwill, intangibles and property, plant and equipment.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. We test goodwill for impairment annually, and more frequently when events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. In the second quarter of 2016, we conducted impairment testing on the goodwill in our legacy Programmable Solutions Division ("PSD") and recorded an impairment charge of $488.5 million. In addition, our other long-lived assets which include intangibles and property, plant and equipment are evaluated for impairments whenever events or changes in circumstances indicate the carrying value may not be recoverable. Either of these situations may occur for various reasons, including changes in actual or expected income or cash flow. During the fourth quarter of fiscal 2016 we have reorganized our reportable segments as a result of which goodwill was reallocated to new segments. We continue to evaluate current conditions to assess whether any impairment exists. Additional impairments could occur in the future if any of the following occur: market or interest rate environments deteriorate, significant adverse changes in business climate, unanticipated competition, loss of key customers, changes in technology, expected future cash flows of our reporting units decline, or reporting unit carrying values change materially compared with changes in respective fair values.

We utilize debt financing and such indebtedness could adversely affect our business, financial condition, results of operations and earnings per share. We may be unable to meet our payment obligations.

We incur indebtedness to finance our operations and we have substantial amounts of outstanding indebtedness and debt service requirements. Our credit facility contains customary affirmative, negative and financial covenants, including a maximum total leverage ratio and a minimum fixed charge coverage ratio. Our ability to meet our payment and other obligations and covenants under our indebtedness depends on our ability to generate significant cash flow. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There is no assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing (or any amended) credit facilities or otherwise, in an amount sufficient to enable us to meet payment obligations under any indebtedness we may incur from time to time. If we are not able to generate sufficient cash flow to service our debt obligations or meet required debt covenants, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. There is no assurance that we will be able to implement any of these alternatives on commercially reasonable terms, if at all. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under any indebtedness we owe. In addition, an inability to meet our payment obligations under any indebtedness may trigger a default, and possible acceleration of payment terms, under the applicable debt financing agreements.

Furthermore, the interest rate on certain of these instruments is tied to short term interest rate benchmarks including the Prime Rate and LIBOR. Interest rates have remained at historically low levels for a prolonged period of time and we expect interest rates to rise in the future. If the rate of interest we pay on our borrowings increases it would increase our debt-related expenditures. There is no assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing (or any amended) credit facilities or otherwise, in an amount sufficient to enable us to meet payment obligations (including any increased interest payment obligations) under any indebtedness we may incur from time to time.

As of January 1, 2017, our outstanding debt primarily included $332.0 million related to our Senior Secured Revolving Credit Facility, $150.0 million of 2.00% Senior Exchangeable Notes assumed from Spansion, $95.0 million Term Loan A, net of costs, $444.4 million Term Loan B, net of costs and $287.5 million of 4.50% Senior Exchangeable Notes. See Note 14 of the Notes to the Consolidated Financial Statements for more information regarding our debt obligations and Note 20 of the Notes to the Consolidated Financial Statements for more information regarding our capital leases.

If we fail to compete successfully in our highly competitive industry and markets, our business, financial condition and results of operations will be seriously harmed.

The semiconductor industry is intensely competitive. This intense competition results in a difficult operating environment that is marked by erosion of average selling prices over the life of each product and rapid technological change resulting in limited product life cycles. In order to offset selling price decreases, we attempt to decrease the manufacturing costs of our products and to introduce new, higher priced products that incorporate advanced features. If these efforts are not successful or do not occur in a timely manner, or if our newly introduced products do not gain market acceptance, our business, financial condition and results of operations could be seriously harmed.

Our ability to compete successfully in the rapidly evolving semiconductor industry depends on many factors, including:

- our success in developing and marketing new products, software platforms and manufacturing technologies and bringing them to market on a timely basis;

- the quality and price of our products;
- the willingness of our customer base to absorb any increase in the price that we sell our products;
- the pace at which customers incorporate our products into their systems, as is sometimes evidenced by design wins;
- the diversity of our product lines;
- the cost effectiveness of our design, development, manufacturing, support and marketing efforts, especially as compared to our competitors;
- our success in developing and introducing firmware in a timely manner;
- our customer service and customer satisfaction;
- our ability to successfully execute our flexible manufacturing strategy;
- the number, strength and nature of our competitors, the markets they target and the rate and success of their technological advances;
- the success of certain of our development activity which is a part of our internal startups;
- our ability to get competitive terms with our vendors, manufacturing partners and suppliers;
- general economic conditions;
- our ability to maintain supply of products from third party manufacturers; and
- our access to and the availability of working capital.

Although we believe we currently compete effectively in the above areas to the extent they are within our control, given the pace of change in our industry (including recent trends toward consolidation in the industry), our current abilities are not guarantees of future success. If we are unable to compete successfully in this environment, our business, financial condition and results of operations will be seriously harmed.

There can be no assurance we will continue to declare dividends and that our cash distributions on common stock will continue to be considered a return of capital.

Our Board of Directors previously adopted a policy pursuant to which the Company would pay quarterly cash distributions on our common stock. The declaration and payment of any dividend is subject to the approval of our Board and our dividend may be discontinued or reduced at any time. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all. Future dividends, if any, and their timing and amount, may be affected by, among other factors, management's views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; our cash position and overall financial condition; debt related payments and commitments, including restrictive covenants which may limit our ability to pay a dividend; changes in tax or corporate laws; our ability to repatriate cash into the United States; stock repurchase programs; the need to invest in research and development or other parts of our business operations; and changes to our business model. Accordingly, our distribution payments may change from time to time, and we cannot provide assurance that we will continue to declare distributions in any particular amounts or at all. In addition, we cannot provide assurance that the cash distributions, if any, will continue to be treated for income tax purposes as a return of capital. A reduction in our distribution payments or a change in the tax treatment of future distributions could have a negative effect on our stock price.

We face significant risks in connection with our acquisition of the IoT business of Broadcom that could impact our future growth and profitability.

On July 5, 2016, we completed our acquisition of the IoT business of Broadcom. For additional information, see Note 2 of the Notes to the Consolidated Financial Statements. The success of the transaction will depend on a number of factors, including but not limited to our ability to successfully integrate the assets of the IoT business (including employees) into our Microcontroller and Connectivity Division operations; our ability to achieve the anticipated strategic benefits of the acquisition; and our ability to keep transaction costs within an anticipated range. The addition of Broadcom's IoT assets may not improve our ability to address the IoT market as much or as quickly as we anticipate. We have incurred significant costs associated with transaction fees, professional services and other costs related to the acquisition and we will continue to incur additional costs in connection with the integration of the business. If these costs exceed our expectations, it could have a material adverse impact on our operating results. Furthermore, we incurred substantial indebtedness to pay for the acquisition. For additional information, see the risk factor titled "*We utilize debt financing and such indebtedness could adversely affect our business, financial condition, results of operations, and earnings per share. We may be unable to meet our payment obligations*."

We cannot be assured that our restructuring initiatives will be successful.

From time to time, we have implemented restructuring plans to reduce our operating costs and/or shift our expenditures to different areas of our business. However, if we have not sufficiently reduced operating expenses or if revenues are below our expectations, we may be required to engage in additional restructuring activities, which could result in additional restructuring charges. These restructuring charges could harm our results of operations. Further, our restructuring plans could result in potential adverse effects on employee capabilities, on our ability to achieve design wins, and our ability to maintain and enhance our customer base. Such events could harm our efficiency and our ability to act quickly and effectively in the rapidly changing technology markets in which we sell our products. In addition, we may be unsuccessful in our efforts, to realign our organizational structure and shift our investments and focus to our high-growth businesses.

We may dispose of certain businesses, product lines or assets, which could adversely affect our results of operations and liquidity.

From time to time, we may divest certain businesses, product lines or assets, both acquired or otherwise, that are no longer strategically important, or we may exit minority investments, which could materially affect our cash flows and results of operations. If we decide to divest a business, product line or assets, we may encounter difficulty in finding or completing such divestiture opportunity (or alternative exit strategy) on acceptable terms or in a timely manner. These circumstances could delay the achievement of our strategic objectives or cause us to incur additional expenses with respect to the business, product line or assets that we seek to dispose. In addition, any delay in the timing of a divestiture transaction may negatively impact our business operations or liquidity for a period of time. Alternatively, we may dispose of businesses, product lines or assets at prices or on terms that are less favorable than we had anticipated. Even following a divestiture, we may be contractually obligated with respect to certain continuing obligations to customers, vendors, landlords or other third parties. Accordingly, we may be dependent on the new owner (of such business, product line or manufacturing facility) to fulfill our continuing obligations to our customers. We may also have continuing obligations for pre-existing liabilities related to the divested assets or businesses. Such obligations may have a material adverse impact on our results of operations and financial condition. Any such dispositions could also result in disruption to other parts of our business, potential loss of employees or customers (especially if the new owner is unable or unwilling to assist us in fulfilling any continuing obligations to our customers), potential loss of revenue, negative impact on our margins, exposure to unanticipated liabilities or result in ongoing obligations and liabilities to us following any such divestiture. We may also incur significant costs associated with exit or disposal activities, related impairment charges, or both.

Our business could be negatively affected as a result of actions by activist stockholders.

The actions of activist stockholders, including any related legal proceedings, could adversely affect our business. Specifically:

- responding to common actions of an activist stockholder, such as public proposals and requests for special meetings, nominations of candidates for election to our board of directors, requests that certain executive officers or directors depart the Company, requests to make changes to internal business operations, requests to pursue a strategic combination or other transaction or other special requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management and employees;
- perceived uncertainties as to our future direction in relation to the actions of an activist stockholder, including any perceived changes at the board or management level, may result in the loss of potential business opportunities or the perception that we are unstable and need to make changes, which may be exploited by our competitors and make it more difficult to attract and retain key personnel as well as consumers and service providers;
- actions of an activist stockholder, especially any legal proceedings, may divert management time and attention away from execution on the Company's business operations and cause the Company to incur significant costs, including expenses related to legal, public relations, investment banking, and/or proxy advisory services;
- the presence of cumulative voting for the election of Company directors may enable the election (to our board of directors) of director candidates who represent the interests of only a specific stockholder (or a small group of stockholders) and who are not supported by a majority of the Company's stockholder base; and
- actions of an activist stockholder may cause fluctuations in our stock price based on speculative market perceptions, unflattering media coverage, or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Industry consolidation may lead to increased competition and may harm our operating results.

There has been a trend toward industry consolidation in our markets for several years. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. Industry consolidation may result in stronger companies that are better able to compete with us. This could have a material adverse effect on our business, operating results, and financial condition.

We face significant volatility in supply and demand conditions for our products, and this volatility, as well as any failure by us to accurately forecast future supply and demand conditions, could materially and negatively impact our business.

The semiconductor industry has historically been characterized by wide fluctuations in the demand for, and supply of, semiconductors. Demand for our products depends in large part on the continued growth of various electronics industries that use our products, including, but not limited to:

- automotive applications including advanced driver assistance systems (ADAS), instrument clusters, infotainment systems, body electronics, connectivity, HVAC controls, event data recorders, powertrains and electric vehicle/hybrid-electric vehicle systems;

- industrial systems including factory automation equipment, smart electric meters, aerospace, industrial controls, point-of-sale terminals and test equipment;
- IoT products;
- consumer electronics including wearable electronics, smartphones and other mobile devices, gaming consoles, gamepads, remote controls, toys, presenter tools, TVs, set-top boxes and fitness equipment;
- wireless telecommunications equipment;
- computers and computer-related peripherals;
- medical equipment; and
- networking equipment.

Any downturn, shift in product launch schedule or reduction in the growth of these industries could seriously harm our business, financial condition and results of operations.

We order materials and build our products based primarily on our internal forecasts, customer and distributor forecasts and secondarily on existing orders, which may be cancelled under many circumstances. Because our markets can be volatile, are based on consumer demand and subject to rapid technological and price changes, our forecasts may be inaccurate, causing us to make too many or too few of certain products.

Our customers frequently place orders requesting product delivery almost immediately after the order is made, which makes forecasting customer demand even more difficult, particularly when supply is abundant. In addition, demand for our products could be materially different from our expectations due to changes in customer order patterns, including order deferrals or cancellations. If we experience inadequate demand, order cancellations, or a significant shift in the mix of product orders that makes our existing capacity and capability inadequate, our fixed costs per semiconductor produced will increase, which will harm our financial condition and results of operations. Alternatively, if we should experience a sudden increase in demand, we will need to quickly ramp our inventory and/or manufacturing capacity to adequately respond to our customers. If we or our manufacturing partners are unable to ramp our inventory or manufacturing capacity in a timely manner or at all, we risk losing our customers' business, which could have a negative impact on our financial performance and reputation.

If we fail to develop, introduce and sell new products or fail to develop and implement new technologies, our ability to compete in our end markets will suffer and our financial results could be adversely impacted.

Like many semiconductor companies, which operate in a highly competitive, quickly changing environment marked by rapid obsolescence of existing products, our future success depends on our ability to develop and introduce new products that customers choose to buy. Our new products, for example PSoC® products, our connectivity products, USB-C, and Traveo, are an important strategic focus for us and therefore, they tend to consume a significant amount of our resources. The new products the market requires tend to be increasingly complex, incorporating more functions including software and security and operating at faster speeds than old products.

Increasing complexity generally requires smaller features on a chip. This makes manufacturing new generations of products substantially more difficult than prior generations.

Despite the significant amount of resources we commit to new products, there can be no guarantee that such products will perform as expected or at all, be introduced on time to meet customer schedules or gain market acceptance. If we fail to introduce new product designs or technologies in a timely manner, or are unable to manufacture products according to these design requirements, or if our customers do not successfully introduce new systems or products incorporating our products or if market demand for our new products does not materialize as anticipated, our business, financial condition and results of operations could be materially harmed.

The complex nature of our manufacturing activities, our broad product portfolio, and our increasing reliance on third-party manufacturers makes us highly susceptible to manufacturing problems and these problems can have a substantial negative impact on us if they occur.

Making semiconductors is a highly complex and precise process, requiring production in a tightly controlled, clean environment. Even very small impurities in our manufacturing materials, defects in the masks used to print circuits on a wafer or other problems in the wafer fabrication process can cause a substantial percentage of wafers to be rejected or numerous chips on each wafer to be non-functional. We and, similarly, our third party foundry partners, may experience problems in achieving an acceptable success rate in the manufacture of wafers and the likelihood of facing such difficulties is higher in connection with the transition to new manufacturing methods. The interruption of wafer fabrication or the failure to achieve acceptable manufacturing yields at any of our facilities, or the facilities of our third-party foundry partners, would seriously harm our business, financial condition and results of operations. This risk may be exacerbated by the divestiture of any of our manufacturing facilities, as we would be increasing our reliance on third-party partners in that situation.

In March 2017, we completed the sale of our semiconductor wafer fabrication facility in Bloomington, Minnesota. The purchaser intends to operate the fab as a stand-alone business that will manufacture wafers for Cypress and for other semiconductor manufacturers. Although this transaction allows us to reduce our manufacturing footprint, it will increase our reliance on third party suppliers. Accordingly, if the new owner of our Bloomington fab is unable to effectively operate the facility, faces financial difficulty, or is otherwise unable to meet our product demands, our supply of components may be adversely affected. Such events could lead to difficulties in delivering products to our customers on time and have a negative impact on our revenue and financial results.

We may also experience manufacturing problems in our assembly and test operations and in the introduction of new packaging materials.

We are dependent on third parties to manufacture products, distribute products, generate a significant portion of our product sales, fulfill our customer orders and transport our products. Problems in the performance or availability of these companies could seriously harm our financial performance.

Although many of our products are fabricated in our manufacturing facilities located in Minnesota, Austin, Malaysia and the Philippines, we rely to a significant extent on independent contractors to manufacture and assemble our products. In addition, on March 1, 2017, we divested our manufacturing facility located in Minnesota, which reduces our internal manufacturing capacity.

If market demand for our products exceeds our internal manufacturing capacity and available capacity from our foundry partners, we may seek additional foundry manufacturing arrangements.

A shortage in foundry manufacturing capacity, which is more likely to occur at times of increasing demand, could hinder our ability to meet demand for our products and therefore adversely affect our operating results. In addition, greater demand for wafers produced by any such foundries without an offsetting increase in foundry capacity raises the likelihood of potential wafer price increases. Our operations would be disrupted if any of our foundry partners terminates its relationship with us or experiences financial difficulty and we are unable to arrange a satisfactory alternative to fulfill customer orders on a timely basis and in a cost-effective manner. There are also only a few foundry vendors that have the capabilities to manufacture our most advanced products. If we engage alternative sources of supply, we may encounter start-up difficulties, yield issues or incur additional costs. Shipments could be delayed significantly while these sources are qualified for volume production.

While a high percentage of our products are assembled, packaged and tested at our manufacturing facilities located in the Philippines and Malaysia, we rely on independent subcontractors to assemble, package and test the balance of our products. We cannot be certain that these subcontractors will continue to assemble, package and test products for us on acceptable economic and quality terms or at all and it might be difficult for us to find alternatives if they do not do so.

Our foundry partners and assembly and test subcontractors have operations in locations that may suffer the impact of certain natural disasters, which could impact their ability to provide us with our products. We monitor these events closely, but if one of our third party manufacturing partners were to suffer significant damage to its operations as a result of a natural disaster, our ability to timely meet consumer demand would suffer which would materially harm our results of operations.

Our channel partners include distributors and resellers. We continue to expand and change our relationships with our distributors. Worldwide sales through our distributors accounted for approximately 73.0% of our net sales in fiscal year 2016. We rely on many distributors to assist us in creating customer demand, providing technical support and other value-added services to our customers, filling customer orders and stocking our products. We face ongoing business risks due to our reliance on our channel partners to create and maintain customer relationships where we have a limited or no direct relationship. Should our relationships with our channel partners or their effectiveness decline, we face the risk of declining demand which could affect our revenue and results of operations. Our contracts with our distributors may be terminated by either party upon notice. The termination of a significant distributor or a reseller could (a) impact our revenue and limit our access to certain end-customers, (b) result in the return of a material amount of inventory held by the distributor or reseller that we may not be able to resell or have to resell at a loss, and (c) jeopardize our ability to collect accounts receivable originating through that distributor or reseller. In addition, our distributors are located all over the world and are of various sizes and financial strength. Any disruptions to our distributors' operations such as lower sales, lower earnings, debt downgrades, the inability to access capital markets and/or higher interest rates could have an adverse impact on our business.

We also rely on independent carriers and freight haulers to move our products between manufacturing plants and our customers' facilities. Transport or delivery problems due to their error or because of unforeseen interruptions in their business due to factors such as strikes, political instability, terrorism, natural disasters or accidents could seriously harm our business, financial condition and results of operations and ultimately impact our relationship with our customers.

We may be unable to protect our intellectual property rights adequately.

The protection of our intellectual property rights, as well as those of our subsidiaries, is essential to keeping others from copying the innovations that are critical to our existing and future products. It may be possible for an unauthorized third party to reverse-engineer or decompile our software products. The process of seeking patent protection can be long and expensive and we cannot be certain that any currently pending or future applications will actually result in issued patents, or that, even if patents are issued, they will be respected by third parties. Furthermore, our flexible fab initiative requires us to enter into technology transfer agreements with external partners, providing third party access to our intellectual property and resulting in additional risk. In some cases, these technology transfer and/or license agreements are with foreign companies and subject our intellectual property to regulation in foreign countries which may afford less protection and/or result in increased costs to enforce such agreements or intellectual property rights. We anticipate that we will continue to enter into these kinds of licensing arrangements in the future. Consequently, we may become involved in litigation, in the United States or abroad, to enforce our patents or other intellectual property rights, to protect our trade secrets and know-how, to determine the validity or scope of the proprietary rights of others or to defend against claims of invalidity. We are also from time to time involved in litigation relating to alleged infringement by us of others' patents or other intellectual property rights.

Moreover, a key element of our strategy is to enter new markets with our products. If we are successful in entering these new markets, we will likely be subject to additional risks of potential infringement claims against us as our technologies are deployed in new applications and face new competitors. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, particularly in certain international markets, making misappropriation of our intellectual property more likely. Patent litigation, if necessary or if and when instituted against us, could result in substantial costs and a diversion of our management's attention and resources. In addition, in August 2016, we entered into a series of agreements to divest a large number of older, legacy patents. The divestiture of these patents may limit our ability to make certain legal claims, and to be successful, in future patent litigation.

We also rely on trade secret protection for our technology, in part through confidentiality and other written agreements with our employees, consultants and third parties. Through these and other written agreements, we attempt to control access to and distribution of our intellectual property documentation and other proprietary technology information. Despite our efforts to protect our proprietary rights, former employees, consultants or third parties may, in an unauthorized manner, attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop a product with the same functionality as our technology. Policing unauthorized use of our intellectual property rights is difficult, and nearly impossible on a worldwide basis. Therefore, we cannot be certain that the steps we have taken or will take in the future will prevent misappropriation of our technology or intellectual property rights, particularly in foreign countries where we do business or where our technology is sold or used, where the laws may not protect proprietary rights as fully as do the laws of the United States or where the enforcement of such laws is not common or effective.

We may be involved in intellectual property litigation and face significant expenses as a result of ongoing or future litigation.

Other companies or entities also have commenced, and may again commence, actions seeking to establish the invalidity of our patents. While we intend to defend these actions vigorously, there is no guarantee of success, and such effort takes significant financial and time resources from the Company. In the event that one or more of our patents are challenged, a court or the United States Patent and Trademark Office may invalidate the patent(s) or determine that the patent(s) is not enforceable, which could harm our competitive position. If our patents are invalidated, or if the scope of the claims in any of these patents is limited by a court or USPTO decision, we could be prevented from pursuing certain litigation matters or licensing the invalidated or limited portion of such patents. Such adverse decisions could negatively impact our future, expected revenue.

Intellectual property litigation is frequently expensive to both the winning party and the losing party and could take up significant amounts of management's time and attention. In addition, if we lose such a lawsuit, a court could find that our intellectual property rights are invalid, enabling our competitors to use our technology, or require us to pay substantial damages and/or royalties or prohibit us from using essential technologies. In addition, in August 2016, we entered into a series of agreements to divest a large number of older, legacy patents. The divestiture of these patents may limit our ability to make certain legal claims, and to be successful, in future patent litigation. For these and other reasons, intellectual property litigation could seriously harm our business, financial condition and results of operations. Also, although in certain instances we may seek to obtain a license under a third party's intellectual property rights in order to bring an end to certain claims or actions asserted against us, we may be unable to obtain such a license on reasonable terms or at all. We believe we have meritorious defenses and claims in our current litigation and we intend to defend and pursue such claims vigorously. Unfortunately, such litigation and other claims are subject to inherent uncertainties and may negatively impact our business.

We face additional problems and uncertainties associated with international operations that could seriously harm us.

International revenues historically accounted for a significant portion of our total revenues. Our manufacturing, assembly, and test operations and certain finance operations located outside of the United States, as well as our international sales offices and design centers, face risks frequently associated with foreign operations including but not limited to:

- currency exchange fluctuations;
- the devaluation of local currencies;
- political instability, and the possibility of a deteriorating relationship with the United States;
- labor issues; including collective bargaining agreements;
- the impact of natural disasters on local infrastructures and economies;
- changes in local economic conditions;
- import and export controls;
- potential shortage of electric power supply;
- potential violations by our international employees or third party agents of international or U.S. laws relevant to foreign operations (such as FCPA); and
- changes in tax laws, tariffs and freight rates.

To the extent any such risks materialize, our business, financial condition or results of operations could be seriously harmed.

We compete with others to attract and retain key personnel, and any loss of, or inability to attract, such personnel would harm us.

To a greater degree than most non-technology companies, we depend on the efforts and abilities of certain key members of management and technical personnel to execute on the strategic initiatives of our business. Our future success depends, in part, upon our ability to retain such personnel and to attract and retain other highly qualified personnel, particularly product and process engineers. We compete for these individuals with certain of our competitors, other companies, academic institutions, government entities and other organizations. Competition for such personnel, particularly in the Silicon Valley, is intense and we may not be successful in hiring or retaining new or existing qualified personnel. Furthermore, changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations can also impair our ability to attract and retain qualified personnel. Equity awards are critical to our ability to hire and retain such key personnel, and any reduction in the price of our common stock (and accordingly the value of such equity awards) may reduce the willingness of key personnel to remain employed by the Company. In addition, we may also need to significantly increase our cash based compensation to retain such personnel.

Our business may also be impacted if we lose members of our senior management team. Any disruption in management continuity could impact our results of operations and stock price and may make recruiting for future management positions more difficult. In addition, changes in key management positions may temporarily affect our financial performance and results of operations as new management becomes familiar with our business. The loss of any of our key officers or other employees, or our inability to attract, integrate and retain qualified employees, could require us to dedicate significant financial and other resources to such personnel matters, disrupt our operations and seriously harm our operations and business.

Our financial results could be adversely impacted if our investments in startups businesses fail to develop and successfully bring to market new and proprietary products.

We have made a financial commitment to certain investments in startup businesses. Despite the significant amount of resources we commit to these startups, there can be no guarantee that such businesses will perform as expected or at all, launch new products and solutions as expected or gain market acceptance. If these startups businesses fail to introduce new products and solutions or successfully develop new technologies, or if customers do not successfully introduce new systems or products incorporating the products or solutions offered by these startup businesses or if market demand for the products or solutions offered by these startups businesses do not materialize as anticipated, our business, financial condition and results of operations could be materially harmed as a result of impairment of the carrying value of our investments in such startups.

Any guidance that we may provide about our business or expected future results may differ significantly from actual results.

From time to time we have shared our views in press releases or SEC filings, on public conference calls and in other contexts about current business conditions and our expectations as to our future results of operations. Correctly identifying the key factors affecting business conditions and predicting future events is inherently an uncertain process, especially in uncertain economic times. Given the complexity and volatility of our business, our analyses and forecasts have in the past and will likely in the future, prove to be incorrect. We offer no assurance that such predictions or analyses will ultimately be accurate, and investors should treat any such predictions or analysis with appropriate caution. Any analysis or forecast that we make which ultimately proves to be inaccurate may adversely affect our stock price.

We are subject to many different environmental, health and safety laws, regulations and directives, and compliance with them may be costly.

We are subject to many different international, federal, state and local governmental laws and regulations related to, among other things, the storage, use, discharge and disposal of toxic, volatile or otherwise hazardous chemicals used in our manufacturing process, conflict mineral and data privacy legislation, as well as the health and safety regulations related to our employees. Compliance with these regulations can be costly. We cannot assure you that we have been, or will be at all times in complete compliance with such laws and regulations. If we violate or fail to comply with these laws and regulations, we could be fined or otherwise sanctioned by regulators. Under certain environmental laws, we could be held responsible, without regard to fault, for all of the costs relating to any contamination at our or our predecessors' past or present facilities and at third party waste disposal sites. We could also be held liable for any and all consequences arising out of human exposure to such substances or other environmental damage.

Over the last several years, there has been increased public awareness of the potentially negative environmental impact of semiconductor manufacturing operations. This attention and other factors may lead to changes in environmental regulations that could force us to purchase additional equipment or comply with other potentially costly requirements. If we fail to control the use of, or to adequately restrict the discharge of, hazardous substances under present or future regulations, we could face substantial liability or suspension of our manufacturing operations, which could seriously harm our business, financial condition and results of operations.

We face increasing complexity in our product design as we adjust to new and future requirements relating to the material composition of our products, including the restrictions on lead and other hazardous substances that apply to specified electronic products put on the market in the European Union, China and California. Other countries, including at the federal and state levels in the United

States, are also considering similar laws and regulations. Certain electronic products that we maintain in inventory may be rendered obsolete if they are not in compliance with such laws and regulations, which could negatively impact our ability to generate revenue from those products. Although we cannot predict the ultimate impact of any such new laws and regulations, they will likely result in additional costs, or in the worst case decreased revenue, and could even require that we redesign or change how we manufacture our products. Such redesigns result in additional costs and possible delayed or lost revenue.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be adversely affected if disrupted for any reason, including natural disasters such as earthquakes, tsunamis, floods, hurricanes, typhoons, telecommunication or information technology system failures, regulatory or political issues, power or water shortages, fires, extreme weather conditions, medical epidemics or pandemics or other man- made disasters or catastrophic events. While we maintain business interruption insurance for our primary foreign manufacturing operations, we are self-insured for any loss or damage to our primary manufacturing facility. As such, the occurrence of any of these business disruptions for us or our third party manufacturers, partners or customers could result in significant losses, seriously harm our revenue and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults known for seismic activity. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including the Philippines,Thailand, Malaysia, China and India. We also rely on major logistics hubs primarily in Asia to manufacture and distribute our products. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown. However in the event of a major earthquake or other natural disaster or catastrophic event, our revenue, profitability and financial condition could suffer.

System security risks, data protection or privacy breaches, cyber-attacks and systems integration issues could disrupt our internal operations and/or harm the reputation of the Company, and any such disruption or harm could cause a reduction in our expected revenue, increase our expenses, negatively impact our results of operation or otherwise adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential and proprietary information, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions and delays that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business on the cloud. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive than originally anticipated. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions have adversely affected us in the past, and in the future could adversely affect our financial results, stock price and reputation.

We maintain self-insurance for certain indemnities we have made to our officers and directors, and if a significant payment were to arise out of such liabilities, it could harm our financial condition and results of operation.

Our certificate of incorporation, by-laws and indemnification agreements require us to indemnify our officers and directors for certain liabilities that may arise in the course of their service to us. If we were required to pay a significant amount on account of these liabilities for which we self-insure, our business, financial condition and results of operations could be seriously harmed.

Regulations related to "conflict minerals" may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements require companies to do diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. We have undertaken the necessary diligence to determine whether such minerals are used in the manufacture of our products. However, the implementation of these new requirements could adversely affect the sourcing, availability and pricing of such minerals if they are found to be used in the manufacture of our products. In addition, regardless of our findings, we 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. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

Changes in U.S. and international tax legislation and tax policy could materially impact our business.

A majority of our revenue is generated from customers located outside the U.S. and a substantial portion of our assets, including employees, are located outside the U.S. United States income tax has not been provided on a portion of earnings of our non-U.S. subsidiaries to the extent that such earnings are considered to be indefinitely reinvested. In the past, the administration has considered initiatives which could substantially reduce our ability to defer U.S. taxes including: limitations on deferral of U.S. taxation of foreign earnings eliminate utilization or substantially reduce our ability to claim foreign tax credits, and eliminate various tax deductions until foreign earnings are repatriated to the U.S. If any of these proposals are constituted into law, they could have a negative impact on our financial position and results of operations.

We are subject to examination by the U.S. Internal Revenue Service, and from time to time we are subject to income tax audits or similar proceedings in other jurisdictions in which we do business, and as a result we may incur additional costs and expenses or owe additional taxes, interest and penalties which will negatively impact our operating results.

We are subject to income taxes in the U.S. and certain foreign jurisdictions, and our determination of our tax liability is subject to review by applicable domestic and foreign tax authorities. The results of these U.S. and certain foreign jurisdiction examinations may result in a decrease of our current estimate of unrecognized tax benefits or an increase of our actual tax liabilities which could negatively impact our financial position, results of operations and cash flows.

Tax bills are introduced from time to time to reform U.S. taxation of international business activities. The Organization for Economic Co-operation and Development, or OECD, also recently released guidance covering various topics, including country-by-country reporting, definitional changes to permanent establishment and Base Erosion and Profit Shifting, or BEPS, an initiative that aims to standardize and modernize global tax policy. Depending on the final guidance and legislation ultimately enacted, if any, there may be significant consequences for us due to the large scale of our international business activities.

In addition, policies regarding corporate income taxes in numerous jurisdictions are under heightened scrutiny. In particular, tax and regulatory reform has been highlighted as a key priority for the new U.S. administration. As a result, fundamental tax policy could be altered and decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to change and/or enhanced legislative investigation and inquiry. These developments could result in changes in tax policies or prior tax rulings. There can be no assurance as to the outcome of these investigations and inquiries. As such, the taxes we previously paid may be subject to change and our taxes may increase in the future, which could have an adverse effect on our results of operations, financial condition and our corporate reputation.

If the tax incentive or tax holiday arrangements we have negotiated in Malaysia, the Philippines and Thailand change or cease to be in effect or applicable, in part or in whole, for any reason, or if our assumptions and interpretations regarding tax laws and incentive or holiday arrangements prove to be incorrect, the amount of corporate income taxes we have to pay could significantly increase.

We have structured our operations to maximize the benefit from various tax incentives and tax holidays extended to us in various jurisdictions to encourage investment or employment. Each such tax incentive is separate and distinct from the others, and may be granted, withheld, extended, modified, truncated, complied with or terminated independently without any effect on the other incentives. The tax incentives are presently scheduled to expire at various dates generally beginning in 2018, subject in certain cases to potential extensions, which we may or may not be able to obtain. Absent these tax incentives, the corporate income tax rate in these jurisdictions that would otherwise apply to us would be between 20% and 30%. The tax incentives that we have negotiated are also subject to our compliance with various operating and other conditions. If we cannot, or elect not to, comply with the operating conditions included in any particular tax incentive, we will lose the related tax benefits and we could be required to refund previously realized material tax benefits. Depending on the incentive at issue, we could also be required to modify our operational structure and tax strategy, which may not be as beneficial to us as the benefits provided under the present tax concession arrangements. Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows.

The accumulation of changes in our shares by "5-percent stockholders" could trigger an ownership change for U.S. income tax purposes, in which case our ability to utilize our net operating losses would be limited and therefore impact our future tax benefits.

Cypress is a publicly traded company whose stockholders can change on a daily basis. These changes are beyond our control. The U.S. Internal Revenue Code (Section 382) restricts a company's ability to benefit from net operating losses if a "Section 382 Ownership Change" occurs. An ownership change for purposes of U.S. tax law Section 382 may result from ownership changes that increase the aggregate ownership of "5-percent stockholders," by more than 50 percentage points over a testing period, generally three years ("Section 382 Ownership Change"). We experienced a Section 382 Ownership Change upon the acquisition of Spansion. The resulting limitations accompanying the ownership change are reflected in our deferred tax assets with no permanent limitation in our ability to utilize our tax attributes.

Acquisitions and investments could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.

Acquisitions are an important element of our overall corporate strategy and use of capital. These transactions could be material to our financial condition and results of operations. We expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The process of integrating an acquired company, business, or technology has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks include, but are not limited to:

- Diversion of management time and focus from operating our business to integration challenges;
- Cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire;
- Successfully transitioning the current customer, supplier, foundry and other partnering relationships of the acquired company;
- Implementation or remediation of controls, procedures, and policies at the acquired company;
- Integration of the acquired company's accounting, human resource, and other administrative systems, and coordination of product, engineering, and sales and marketing functions;
- In the case of acquired companies with global operations, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- Failure to successfully further develop the acquired business or technology;
- Liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and
- Pending litigation or other known or unknown claims in connection with the acquired company, including claims by stockholders for breach of fiduciary duties, terminated employees, customers, former stockholders, or other third parties.

Our failure to address these and other risks or other problems encountered in connection with our past or current acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally. Current and future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or write-offs of goodwill, any of which could harm our financial condition or results. As a result, the anticipated benefit of any of our acquisitions may not be realized.

We invest in companies for strategic reasons and may not realize a return on our investments.

We make investments in companies to further our strategic objectives and support our key business initiatives. Such investments include equity instruments of private companies, and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors as well as their ability to secure additional funding, obtain favorable investment terms for future financings, or participate in liquidity events such as public offerings, mergers, and private sales. If any of these companies fail, we could lose all or part of our investment in that company. If we determine that other-than-temporary decline in the fair value exists for an equity investment in a company in which we have invested, we write down the investment to its fair value and recognize the related write-down as an investment loss.

When the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. We may incur losses on the disposal of our investments. Additionally, for cases in which we are required under equity method accounting to recognize a proportionate share of another company's income or loss, such income or loss may impact our earnings. Gains or losses from equity securities could vary from expectations depending on gains or losses realized on the sale or exchange of securities, gains or losses from equity method investments, and impairment charges for equity and other investments.

We may have fluctuations in the amount and frequency of our stock repurchases and there can be no assurance that we will continue to repurchase shares of our stock.

On October 20, 2015, our Board of Directors approved a new share repurchase plan pursuant to which we are authorized to repurchase our common stock in an aggregate amount not to exceed $450 million. Although our Board of Directors has approved a share repurchase program, the share repurchase program does not obligate us to repurchase any specific dollar amount or number of shares. In addition, there can be no assurance that we will continue to repurchase shares of our stock in any particular amounts, or at all. The stock repurchase plan could affect the price of our stock and increase volatility and may be suspended or terminated at any time without prior notice and in compliance with legal and regulatory requirements, which may result in a decrease in the trading price of our common stock. Through the end the 2016 fiscal year, the Company has repurchased a total of 29.5 million shares for a total cost of $239.2 million under the October 2015 stock repurchase plan.

If we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs in the future, we could be at a competitive disadvantage in the marketplace for qualified personnel.

Our compensation program, which includes cash and share-based compensation award components, has been instrumental in attracting, hiring, motivating, and retaining qualified personnel. Competition for qualified personnel in our industry is extremely intense, particularly for engineering and other technical personnel. Our success depends on our continued ability to attract, hire, motivate, and retain qualified personnel and our share-based compensation award programs provide us with a competitive compensatory tool for this purpose. The continued use of our share-based compensation program is necessary for us to compete for engineering and other technical personnel and professional talent. In the future, if we are unable to obtain stockholder approval of additional shares for our share-based compensation award programs, we could be at a competitive disadvantage in the marketplace for qualified personnel.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in San Jose, California. The following tables summarize our primary properties as of the end of fiscal 2016:

Location	Square Footage	Primary Use
Owned:		
United States :		
Bloomington, Minnesota	337,000	Manufacturing, research and development
San Jose, California	171,000	Administrative offices, research and development
Austin, Texas	1,514,000	Manufacturing, research and development and administrative offices
Colorado Springs, Colorado	70,400	Administrative offices, research and development
Lynnwood, Washington	67,000	Administrative offices, research and development
Asia :		
Cavite, Philippines	253,000	Manufacturing, research and development
Bangkok, Thailand	253,000	Manufacturing, research and development
Penang, Malaysia	175,000	Manufacturing, research and development and administrative offices

We have an additional 779,000 square feet of leased space for research and development, administrative, sales offices and design centers located in the United States, Asia and Europe. We believe that our current properties are suitable and adequate for our foreseeable needs. We may need to exit facilities as we continue to evaluate our business model and cost structure.

ITEM 3. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 20 of Notes to the Consolidated Financial Statements under Item 8, which 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

Market Information, Holders of Common Equity, Dividends and Performance Graph

On November 12, 2009, our common stock was listed on the NASDAQ Global Select Market under the trading symbol "CY." Prior to November 12, 2009, our common stock was listed on the New York Stock Exchange. The following table sets forth the high and low per share prices for our common stock:

	Low	High
Fiscal 2016:		
Fourth quarter	$ 9.63	$12.22
Third quarter	$ 9.79	$12.48
Second quarter	$ 8.02	$11.22
First quarter	$ 6.30	$ 9.73
Fiscal 2015:		
Fourth quarter	$ 8.11	$10.96
Third quarter	$ 8.55	$12.46
Second quarter	$11.65	$14.46
First quarter	$13.39	$16.25
Fiscal 2014:		
Fourth quarter	$14.42	$14.68
Third quarter	$ 9.96	$10.23
Second quarter	$10.42	$10.66
First quarter	$10.00	$10.27

As of February 23, 2017, there were approximately 1,421 registered holders of record of our common stock.

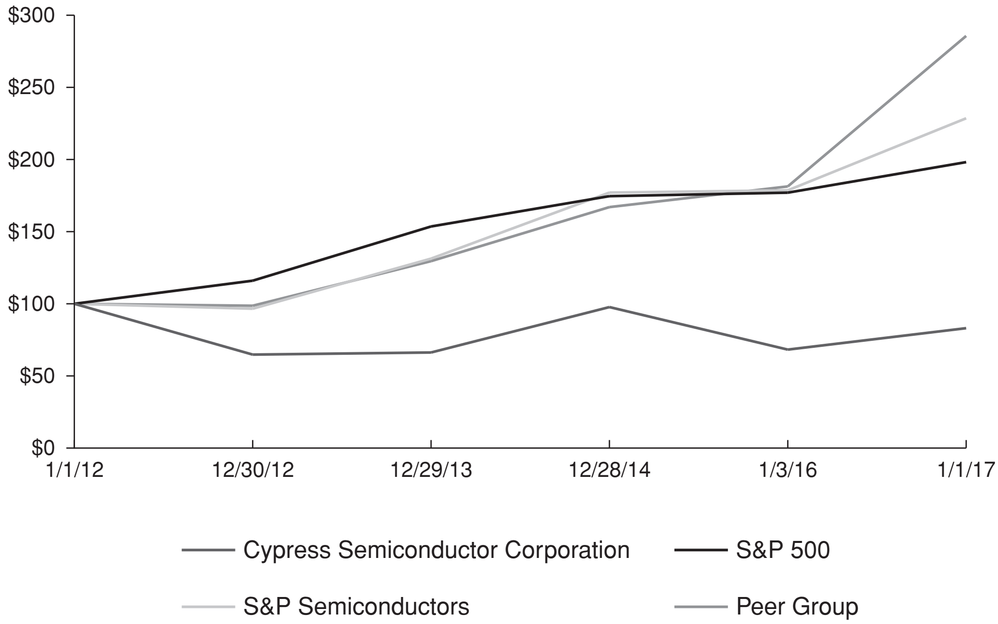
Dividends

During fiscal 2016, 2015 and 2014, we paid dividends of $141.4 million, $128.0 million and $69.2 million, respectively, at a rate of $0.11 per share of common stock paid in each quarter of the fiscal year.

The following line graph compares the yearly percentage change in the cumulative total stockholder return on our common stock against the cumulative total return of the Standard and Poor ("S&P") 500 Index and the S&P Semiconductors Index for the last five fiscal years:

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Cypress Semiconductor Corporation, the S&P 500 Index, the S&P Semiconductors Index, and a Peer Group



*$100 invested on 1/1/12 in stock or 12/31/11 in index, including reinvestment of dividends.
Indexes calculated on month-end basis.

Indexes calculated on month-end basis. Indexes calculated on month-end basis.

	January 1, 2012	December 30, 2012	December 29, 2013	December 28, 2014	January 3, 2016	January 1, 2017
Cypress**	100.00	64.78	66.24	97.71	68.24	83.09
S&P 500 Index	100.00	116.00	153.58	174.60	177.01	198.18
S&P Semiconductors Index	100.00	96.58	131.30	177.08	178.63	228.56
Peer Group***	100.00	98.64	129.55	167.01	181.34	285.65

** All closing prices underlying this table have been adjusted for cash dividends, stock splits and stock dividends.

*** The Peer Group includes the following companies: Analog Devices Inc., Marvell Technology Group Ltd., Maxim Integrated Products Inc., Microchip Technology Inc., Microsemi Corp., Nvidia Corp., On Semiconductor Corp., Qorvo Inc., Skyworks Solutions Inc., Synaptics Inc. and Xilinx Inc.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information:

The following table summarizes certain information with respect to our common stock that may be issued under the existing equity compensation plans as of January 1, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(In millions, except per-share amounts)		
Equity compensation plans approved by shareholders	13.1(1)	$ 12.2(3)	21.8(6)
Equity compensation plans not approved by shareholders	8.6(2)	$ 6.7(4)	4.9(7)
Total	21.7	$10.70(5)	26.7

(1) Includes 7.3 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) granted.

(2) Includes 6.5 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) granted.

(3) Excludes the impact of 7.3 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units), which have no exercise price.

(4) Excludes the impact of 6.5 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units), which have no exercise price.

(5) Excludes the impact of 13.8 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units), which have no exercise price.

(6) Includes 19.3 million shares available for future issuance under Cypress's 2013 Stock Plan and 2.6 million shares available for future issuance under Cypress's Employee Stock Purchase Plan.

(7) Includes 15 thousand shares available for future issuance under the assumed Ramtron Plan and 4.9 million shares available for future issuance under the assumed Spansion Plan.

See Note 9 of the Notes to the Consolidated Financial Statements under Item 8 for further discussion of Cypress's stock plans.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock Buyback Programs:

Approval of a $450 Million Stock Buyback Program

On October 20, 2015, our Board of Directors (the "Board") approved a new share repurchase plan pursuant to which we are authorized to repurchase our common stock in an aggregate amount not to exceed $450 million. In connection with the approval of this new share repurchase plan, the share repurchase plan previously approved in September 2011 was terminated. The share repurchase program does not obligate us to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice and in compliance with legal and regulatory requirements.

The table below sets forth information with respect to repurchases of our common stock made during fiscal 2014, 2015 and 2016 under these programs:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Total Dollar Value of Shares That May Yet Be Purchase Under the Plans or Programs
	(In thousands, except per-share amounts)			
Authorized fund under 2011 Repurchase program:	—	$ —	—	$400,000
Repurchases in fiscal 2014:				
December 30, 2013 - March 30, 2014	18	$10.23	18	$ 83,490
March 31, 2014 - June 29, 2014	7	$ 9.72	7	$ 83,425
June 30, 2014 - September 28, 2014	3	$10.53	3	$ 83,398
September 29, 2014 - December 28, 2014	5	$10.27	5	$ 83,341
Total repurchases in fiscal 2014	33		33	$ 83,341
Repurchases in fiscal 2015:				
December 29, 2014 - March 29, 2015	6	$14.66	6	$ 83,252
March 30, 2015 - June 28, 2015	818	$12.75	818	$ 72,672
June 29, 2015 - September 27, 2015	2	$10.62	2	$ 72,648
Total repurchases in fiscal 2015	826		826	$ 72,648
Total repurchases under this program	859		1,312	
Authorized fund under 2015 Repurchase program:				$450,000
September 28, 2015 - January 3, 2016	5,658	$ 9.99	5,658	$393,475
Total repurchases in fiscal 2015	5,658		5,658	$393,475
Repurchases in fiscal 2016:				
January 4, 2016 - April 3, 2016	23,822	$ 7.66	23,822	$210,968
April 4, 2016 - July 3, 2016	4	$ 9.74	4	$210,931
July 4, 2016 - October 2, 2016	2	$11.46	2	$210,913
October 3, 2016 - January 1, 2017	7	$10.59	7	$210,844
Total repurchases in fiscal 2016	23,834		23,834	$210,844
Total repurchases under this program	29,492		29,492	

Yield Enhancement Program (“YEP”):

In fiscal 2009, the Audit Committee approved a yield enhancement strategy intended to improve the yield on our available cash. As part of this program, the Audit Committee authorized us to enter into short-term yield enhanced structured agreements, typically with maturities of 90 days or less, correlated to our stock price. Under the agreements we have entered into to date, we pay a fixed sum of cash upon execution of an agreement in exchange for the financial institution’s obligations to pay either a pre-determined amount of cash or shares of our common stock depending on the closing market price of our common stock on the expiration date of the agreement. Upon expiration of each agreement, if the closing market price of our common stock is above the pre-determined price, we will have our cash investment returned plus a yield substantially above the yield currently available for short-term cash investments. If the closing market price is at or below the pre-determined price, we will receive the number of shares specified at the agreement's inception. As the outcome of these arrangements is based entirely on our stock price and does not require us to deliver either shares or cash, other than the original investment, the entire transaction is recorded in equity. The shares received upon the maturing of a yield enhancement structure are included in our "shares of common stock held in treasury" on the Consolidated Balance Sheets under Item 8.

We have entered into various yield enhanced structured agreements based upon a comparison of the yields available in the financial markets for similar maturities against the expected yield to be realized per the structured agreement and the related risks associated with this type of arrangement. We believe the risk associated with these types of agreements is no different than alternative investments available to us with equivalent counterparty credit ratings. All counterparties to a yield enhancement program have a credit rating of at least Aa2 or A as rated by major independent rating agencies. For all such agreements that matured to date, the yields of the structured agreements were far superior to the yields available in the financial markets primarily due to the volatility of our stock price and the pre-payment aspect of the agreements. The counterparty is willing to pay a premium over the yields available in the financial markets due to the structure of the agreement.

The following table summarizes the activity of our settled yield enhanced structured agreements during fiscal 2015:

Periods	Aggregate Price Paid	Total Cash Proceeds Received Upon Maturity	Yield Realized	Total Number of Shares Received Upon Maturity	Average Price Paid per Share
		(in thousands)			
Fiscal 2015:					
Settled through cash proceeds	$28,966	$29,353	$387	—	$ —
Settled through issuance of common stock	9,601	—	—	1,000,000	$9.60
Total for fiscal 2015	$38,567	$29,353	$387	1,000,000	9.60

There was no activity in our yield enhanced structured agreements during fiscal 2016.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is not necessarily indicative of results of future operations, and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7, and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements under Item 8:

	January 1, 2017(2)	January 3, 2016(2)	December 28, 2014(2)	December 29, 2013	December 30, 2012
	(in thousands, except per-share amounts)				
Consolidated Statement of Operations Data:					
Revenues	$1,923,108	$1,607,853	$725,497	$722,693	$769,687
Cost of revenues	$1,237,974	$1,207,850	$361,820	$384,121	$376,887
Operating income (loss)	$ (611,755)	$ (336,905)	$ 22,873	$(58,195)	$(18,915)
Income (loss) attributable to Cypress(3)	$ (686,251)	$ (378,867)	$ 17,936	$(48,242)	$(23,444)
Noncontrolling interest, net of income taxes	$ (643)	$ (2,271)	$ (1,418)	$ (1,845)	$ (1,614)
Net income (loss)(3)	$ (686,894)	$ (381,138)	$ 16,518	$(50,087)	$(25,058)
Adjust for net loss (income) attributable to noncontrolling interest	$ 643	$ 2,271	$ 1,418	$ 1,845	$ 1,614
Net income (loss) attributable to Cypress	$ (686,251)	$ (378,867)	$ 17,936	$(48,242)	$(23,444)
Net income (loss) per share—basic:					
Net income (loss) per share—basic	$ (2.15)	$ (1.25)	$ 0.11	$ (0.32)	$ (0.16)
Net income (loss) per share—diluted:	$ (2.15)	$ (1.25)	$ 0.11	$ (0.32)	$ (0.16)
Net income (loss) per share—basic	$ (2.15)	$ (1.25)	$ 0.11	$ (0.32)	$ (0.16)
Net income (loss) per share—diluted	$ (2.15)	$ (1.25)	$ 0.11	$ (0.32)	$ (0.16)
Dividends per share:					
Declared	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.44
Paid	$ 0.44	$ 0.44	$ 0.44	$ 0.44	$ 0.42
Shares used in per-share calculation:					
Basic	319,522	302,036	159,031	148,558	149,266
Diluted	319,522	302,036	169,122	148,558	149,266

	January 1, 2017	January 3, 2016	December 28, 2014	December 29, 2013	December 30, 2012
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 121,144	$ 227,561	$118,812	$104,462	$117,210
Working capital(3)	$ 191,486	$ 322,376	$ 37,479	$ 13,871	$ 20,060
Total assets(3)	$3,871,871	$4,004,261	$743,281	$762,884	$830,554
Debt(1)	$1,225,131	$ 688,265	$243,250	$248,230	$264,942
Stockholders' equity(3)	$1,892,752	$2,712,685	$201,865	$175,683	$175,786

(1) The debt in fiscal year 2016 primarily included $332.0 million related to our Senior Secured Revolving Credit Facility, $150.0 million of 2.00% Senior Exchange notes assumed from Spansion, $95.0 million Term Loan A, net of costs, $444.4 million of Term Loan B, net of costs and $287.5 million of 4.50% Senior Exchangeable Notes. The debt in fiscal year 2015 primarily included $449.0 million related to our Senior Secured Revolving Credit Facility, $150 million of 2.00% Senior Exchange notes assumed from Spansion, $97.2 million Term Loan A, net of costs, $7.2 million of capital leases and $3.0 million of equipment loans. The debt in fiscal year 2014 primarily included $227.0 million related to our revolving credit facility, $10.3 million of capital leases, and $5.9 million of equipment loans. The debt in fiscal year 2013 primarily included $227.0 million related to our revolving credit facility, $12.5 million of

capital leases, and $8.7 million of equipment loans. The debt in fiscal year 2012 included $232.0 million related to our revolving credit facility, $15.0 million of capital leases, $11.5 million of equipment loans, $3.3 million of a mortgage note related to Ramtron, and $3.1 million of advances received for the sale of certain of our auction rate securities. See Note 14 for more information on revolving credit facility, equipment loans and mortgage note and Note 19 for more information on capital leases.

(2) During the fourth quarter of fiscal 2014, the Company changed from recognizing revenue for sales to certain distributors at the time of shipment, as compared to when resold by the distributor to the end customer, as it determined it could reliably estimate returns and pricing concessions on certain product families and with certain distributors. This change increased fiscal 2014 revenues by $12.3 million, net income by $6.2 million and net income per share, basic and diluted, by $0.04. The change increased 2015 revenue by $40.9 million and decreased net loss by $25.0 million and net income per share, basic and diluted, by $0.08. The change increased 2016 revenue by $59.2 million and decreased net loss by $19.5 million and net income per share, basic and diluted, by $0.06. See additional disclosures on this change in revenue recognition in Note 1 of the Notes to Consolidated Financial Statements.

(3) Our Consolidated Financial Statements include the financial results of legacy Spansion beginning March 12, 2015 and the financial results of the IoT business acquired from Broadcom beginning July 5, 2016. The comparability of our results for the years ended January 3, 2016 and January 1, 2017 to the same prior year periods is significantly impacted by these transactions.

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended that involve risks and uncertainties, which are discussed under Item 1A.

EXECUTIVE SUMMARY

General

Cypress Semiconductor Corporation (“Cypress” or “the Company”) manufactures and sells advanced embedded system solutions for automotive, industrial, home automation and appliances, consumer electronics and medical products. Cypress's programmable systems-on-chip, general-purpose microcontrollers, analog ICs, IoT and USB-C based connectivity solutions and memories help engineers design differentiated products and help with speed to market. Cypress is committed to providing customers with quality support and engineering resources.

Mergers, Acquisitions and Divestitures

Merger with Spansion

On March 12, 2015, we completed the merger (“Merger”) with Spansion Inc. (“Spansion”) pursuant to the Agreement and Plan of Merger and Reorganization, dated as of December 1, 2014 (the “Merger Agreement”), for a total consideration of approximately $2.8 billion.

Acquisition of Broadcom Corporation's Internet of Things business (“IoT business”)

On July 5, 2016, we completed the acquisition of certain assets primarily related to the IoT business of Broadcom pursuant to an Asset Purchase Agreement with Broadcom Corporation, dated April 28, 2016, for a total consideration of $550 million. The following MD&A includes the financial results of the IoT business beginning July 5, 2016. The comparability of our results for the year ended January 1, 2017 to the same periods in fiscal 2015 is significantly impacted by the acquisition. To date, we have incurred approximately $8.9 million of acquisition related costs, including professional fees and other costs associated with the acquisition.

The following MD&A includes the financial results of legacy Spansion beginning March 12, 2015 and the financial results of the IoT business acquired from Broadcom beginning July 5, 2016. The comparability of our results for the year ended January 1, 2017 to the same prior year periods is significantly impacted by these transactions.

In our discussion and analysis of comparative periods, we have quantified the contribution of additional revenue or expense resulting from these transaction wherever such amounts were material and identifiable. While identified amounts may provide indications of general trends, the analysis cannot completely address the effects attributable to integration efforts.

Divestiture of TrueTouch® Business

In connection with the sale of the TrueTouch® Mobile touchscreen business to Parade Technologies ("Parade") on August 1, 2015, we entered into a Manufacturing Service Agreement ("MSA") in which we agreed to sell finished wafers and devices to Parade. The terms of the MSA provide that we would sell finished products to Parade at agreed-upon prices that were considered below fair market value, indicating that there was an embedded fair value that would be realized by Parade through those terms. Accordingly, we had allocated approximately $19.9 million from the $98.6 million proceeds to the fair value of the MSA based on the forecasted wafer sales to Parade for the subsequent periods. That amount was deferred on our consolidated balance sheet initially and is being amortized to revenue as we sell products to Parade. During the year ended January 1, 2017 and January 2, 2016, we recognized approximately $14.2 million and $5.7 million, respectively, of revenue from the amortization of the deferred revenue.

Investment in Deca Technologies Inc.

On July 29, 2016, Deca Technologies Inc. ("Deca"), our majority owned subsidiary entered into a share purchase agreement (the "Purchase Agreement"), whereby certain third-party investors purchased 41.1% of the shares outstanding at the said date for an aggregate consideration of approximately $111.4 million. Concurrently, Deca repurchased certain of its preferred shares from us.

After giving effect to the above transactions, our ownership in Deca reduced to 52.2% as at July 29, 2016. As a consequence of the substantive rights afforded to third-party new investors in the purchase agreement, including, among other things, participation on the Board of directors of Deca, approval of operating plans and approval of indebtedness, we determined that we no longer have the power to direct the activities of Deca that most significantly impacts Deca's economic performance. However, as we continue to have significant influence over Deca's financial and operating policies, effective July 29, 2016, the investment in Deca is being accounted for as an equity method investment and financial results of Deca are no longer being consolidated. The carrying value of this equity method investment was determined based on the fair value of the equity in Deca, which the Company calculated to be $142.5 million. This represents our remaining investment in Deca immediately following the investments by third-party investors. As a result of the change in the method of accounting for our investment in Deca from consolidation to the equity method of accounting, the net carrying value of the assets and liabilities related to Deca, and the adjustments related to the recognition of the initial fair value of the equity method investment resulted in a gain of $112.8 million which has been reflected as "Gain related to investment in Deca Technologies Inc." in the Consolidated Statements of Operations.

Business Developments

New Chief Executive Officer and Executive Chairman

Effective August 10, 2016, Hassane El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. Upon the effectiveness of Mr. El-Khoury's appointment as President and Chief Executive Officer, the Office of President and Chief Executive Officer, which had been performing the duties of the President and Chief Executive Officer since April 2016, was dissolved by the Board. Mr. El-Khoury served as Executive Vice President, Microcontroller and Connectivity Division ("MCD"), from 2012 until his appointment as President and Chief Executive Officer.

Effective August 10, 2016, the Board appointed H. Raymond Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham will function as both an executive officer of the Company and as Chairman of the Board. As Executive Chairman, Mr. Bingham will report directly to the Board.

Business Segments

We continuously evaluate our reportable business segments in accordance with the applicable accounting guidance. Pursuant to reorganization and internal reporting structure effective fourth quarter, the Company operates under two reportable business segments: Memory Products Division ("MPD") and MCD. Prior to the fourth quarter of fiscal 2016, the Company reported under four reportable business segments: MPD, Programmable Systems Division ("PSD"), Data Communications Division ("DCD") and Emerging Technologies Division ("ETD").

The prior reportable segments of PSD and DCD have been combined and are referred to as MCD. Deca, previously included in ETD, and now accounted for as an equity method investment, has been reflected in MCD for historical results. The MPD segment comprises of substantial portion of the previous MPD segment, as well as certain portions of the previous PSD. Agiga, previously included in ETD has been combined with MPD.

The prior periods herein reflect this change in segment information.

RESULTS OF OPERATIONS

Revenues

Our total revenues increased by $315.3 million, or 19.6%, to $1,923.1 million for the year ended January 1, 2017 compared to the prior year. For the year ended January 1, 2017, $134.9 million of the increase was attributable to revenue contributions from the acquired IoT business which is included in the MCD division. Revenue for the year ended January 1, 2017 benefited from the Spansion Merger, as compared to the prior year which included such sales only for a partial period post merger, offset by the divestiture of the True Touch® business.

The Company operates on a 52 or 53 week year ending on the Sunday nearest to December 31. Fiscal 2016 and 2014 were each 52 weeks and fiscal 2015 was a 53-week year, with the extra week in the fourth fiscal quarter. The additional week in fiscal 2015 did not materially affect the Company's results of operations or financial position.

Consistent with our accounting policies and generally accepted accounting principles, prior to fiscal 2014 we recognized a significant portion of revenue through distributors at the time the distributor resold the product to its end customer (also referred to as the sell-through basis of revenue recognition) given the difficulty in estimating the ultimate price of these product shipments and amount of potential returns. We continually reassess our ability to reliably estimate the ultimate price of these products and, over the past several years, we have made investments in our systems and processes around our distribution channel to improve the quality of the information we receive from our distributors. Given these ongoing investments, and based on the financial framework we use for estimating potential price adjustments, in the fourth quarter of 2014, the Company began recognizing revenue on certain product families and with certain distributors (less its estimate of future price adjustments and returns) upon shipment to the distributors (also referred to as the sell-in basis of revenue recognition). As of January 1, 2017, with the exception of consignment sales, the Company is recognizing all revenue upon shipment.

During the year ended January 1, 2017, we recognized an incremental $59.2 million of revenue on new product families or distributors for which we recognized revenue on a sell-in basis. This change resulted in a decrease to the net loss of $19.5 million for the year ended January 1, 2017 or $0.06 per basic and diluted share.

During the year ended January 3, 2016, we recognized an incremental $40.9 million of revenue on additional product families for which revenue was previously recognized on a sell-through basis. This change resulted in a decrease to the net loss of $25.0 million for the year ended January 3, 2016 or $0.08 per basic and diluted share.

The following table summarizes our consolidated revenues by segments:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
MPD	928,626	876,574	356,497
MCD	994,482	731,279	369,000
Total revenues	$1,923,108	$1,607,853	$725,497

Memory Products Division ("MPD"):

Revenues from MPD increased in fiscal 2016 by $52.1 million, or 5.9% compared to fiscal 2015. The increase was primarily due to $95.1 million of revenue contribution from the Flash memory business which grew primarily in the automotive and consumer segments. This was partially offset by $36.4 million of decrease in revenue from SRAM products.

Revenues from MPD increased in fiscal 2015 by $520.1 million, or 145.9% compared to fiscal 2014. The increase was primarily due to $539.1 million of revenue contribution from the Spansion flash memory business for fiscal 2015. Excluding the impact of Spansion revenues, MPD decreased by $18.9 million or 5.3% in fiscal 2015 compared to the prior year primarily driven by sales decrease in the communication market segment.

The overall average selling prices (ASP's) of our products for MPD for the year ended January 1, 2017 was $1.25, which decreased by $0.10, compared with the prior year. The decrease is attributed to the fact that in 2016 the company saw lower ASPs in the overall memory segment, particularly in NAND and SRAM families.

The overall ASP's of our products for MPD for the year ended January 3, 2016 was $1.35, which decreased by $0.35, compared to $1.70 in prior year. The decrease in ASP is due to Spansion acquisition.

Microcontroller and Connectivity Division ("MCD"):

Revenues from MCD in fiscal 2016 increased by $263.2 million, or 36.0%, compared to fiscal 2015. The increase in fiscal 2016 was primarily driven by the acquisition of the IoT business from Broadcom. In fiscal 2016, revenue related to the IoT business was $134.9 million.

Excluding the impact of IoT revenues, MCD increased by $128.3 million for fiscal 2016, or 17.6%, compared to the prior year, primarily due to increased revenue in the automotive segment.

Revenues from MCD in fiscal 2015 increased by $362.3 million or 98.2%, compared to fiscal 2014. The increase in the 2015 MCD revenue was primarily attributable to the following factors:

- Contribution from products acquired as part of the Spansion acquisition
- Increase in sales of products related to automotive applications.

This increase was offset by decreases related to the following factors:

- Divestiture of TrueTouch® business
- Weakness in demand in the mobile business and consumer end markets

The overall average selling price of our products for MCD for the year ended January 1, 2017 was $1.02 which is unchanged from the prior-year. The overall average selling price of our products for MCD for the year ended January 3, 2016 was $1.02 which increased by $0.24, compared to $0.78 in fiscal 2014. The increase in ASP is due to Spansion acquisition.

Cost of Revenues

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Cost of revenues	$1,237,974	$1,207,850	$361,820
As a percentage of revenue	64.4%	75.1%	49.9%

Our cost of revenue ratio representing cost of revenue as a percentage of revenue is significantly impacted by the mix of products we sell, which is often difficult to forecast with accuracy. Therefore, if we achieve significant revenue growth in our lower margin product lines, or if we are unable to earn as much revenue as we expect from higher margin product lines, our gross margin may be negatively impacted.

Our cost of revenue ratio improved from 75.1% in fiscal 2015 to 64.4% in fiscal 2016. The primary driver of the improvement in the cost of revenue ratio was lower write downs of carrying value of inventory during fiscal 2016 as compared to the prior year and our on-going focus on gross margin expansion through cost reductions, price increases and synergies recognized from the merger. Included in the cost of revenues for fiscal 2015 was a $133.0 million write-down of carrying value of inventory assumed as a part of the Spansion Merger as well as a write down of $19.5 million of certain other inventories. In comparison, write-down of inventories during fiscal 2016 was $25.3 million. Sale of inventory that was previously written-off or written-down aggregated to $65.7 million for fiscal 2016 and $6.4 million for fiscal 2015, which favorably impacted our cost of revenues ratio in fiscal 2016. This impact was partially offset by lower fab utilization which was 56% for fiscal 2016 as compared to 62% in fiscal 2015.

Our cost of revenues ratio declined to 75.1% in fiscal 2015 from 49.9% in fiscal 2014. The increase in cost of revenues for fiscal 2015 was primarily due to impact of the merger with Spansion, which historically had higher cost of revenues than Cypress, and $133.0 million of write-downs on inventory assumed as a part of the Spansion Merger. These inventory write-downs were recognized as part of our strategy to focus on high margin, profitable business as a combined company. Total charges to cost of sales for inventory writedowns aggregated to $152.5 million for fiscal 2015 and $19.8 million for fiscal 2014, unfavorably impacting our cost of revenues ratio. Sales of inventory that was previously written-off or written-down totaled $6.4 million for fiscal 2015 and $3.7 million for fiscal 2014, favorably impacting our cost of revenues ratio.

Research and Development ("R&D")

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
R&D expenses	$331,737	$281,391	$164,560
As a percentage of revenues	17.3%	17.5%	22.7%

R&D expenditures increased by $50.3 million in the twelve months ended January 1, 2017 compared to the same prior-year period. The increase was mainly attributable to $36.8 million of expenses due to the IoT acquisition, primarily comprised of $22.6 million of increase in labor costs due to additional headcount and increase of $14.2 million in expensed assets. The remaining increase of $13.5 million in other R&D expense was primarily due to $15.8 million of stock-compensation expense, offset by $2.3 million decrease in other R&D expenses.

R&D expenditures increased by $116.8 million in fiscal 2015 compared to fiscal 2014. The increase was mainly attributable to $108.3 million of additional expenses due to the Spansion Merger, which comprised of $63.0 million of labor costs due to additional headcount, $24.0 million of building, repairs and other overhead expenses, $7.7 million of material costs on certain development projects, $8.5 million of professional services related to Information technology ("IT") and other outside services and $9.5 million of increase in stock-based compensation expense.

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

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
SG&A expenses	$317,383	$323,570	$170,741
As a percentage of revenues	16.5%	20.1%	23.5%

SG&A expenses decreased by $6.2 million in fiscal 2016 compared to fiscal 2015. The decrease was mainly due to lower acquisition expenses of $14.1 million primarily related to merger of Spansion, a $9.0 million decrease in stock based compensation expense, offset by acquisition costs associated with the IoT acquisition of $8.9 million, and IoT operating expenses of $9.8 primarily related to labor.

SG&A expenses increased by $152.8 million in fiscal 2015 compared to fiscal 2014. The increase was mainly due to $99.6 million of expenses from the Spansion Merger, primarily comprised of $50.0 million of labor costs due to additional headcount, $39.0 million of building, supplies, repairs and other overhead expenses, and $15.0 million of professional services expense related to IT, legal and finance. Additionally, we also incurred $17.4 million of costs for professional fees for legal and audit services related to the Spansion Merger integration activities, $5.0 million of termination costs on legacy Spansion patent license agreement and $30.6 million of increase in stock-based compensation expense primarily related to the 2015 PARS grants.

Amortization of Acquisition-Related Intangible Assets

During fiscal 2016, amortization expense increased by $66.4 million compared to fiscal 2015. The increase was mainly due to the amortization of the intangibles acquired in connection with the IoT business acquisition, Spansion Merger as well as capitalization of certain in-process research and development projects.

During fiscal 2015, amortization of acquisition-related intangible assets increased by $101.7 million compared to fiscal 2014. The increase is primarily due to the amortization of the intangibles acquired in connection with the Spansion Merger.

Impairment of acquisition-related intangible assets

During fiscal 2016, we recognized $33.9 million of impairment charges related to two IPR&D projects that were canceled due to certain changes in our long-term product portfolio strategy during fiscal 2016.

There were no impairment charges of acquisition-related intangibles during fiscal 2015 and fiscal 2014.

Gain related to investment in Deca Technologies Inc.

On July 29, 2016, Deca Technologies Inc. ("Deca"), our majority owned subsidiary entered into a share purchase agreement (the "Purchase Agreement"), whereby certain third-party investors purchased 41.1% of the shares outstanding at the said date for an aggregate consideration of $111.4 million. Concurrently, Deca repurchased certain of its preferred shares from us.

After giving effect to the above transactions, our ownership in Deca reduced to 52.2% as at July 29, 2016. As a consequence of the substantive rights afforded to third-party new investors in the purchase agreement, including, among other things, participation on the Board of directors of Deca, approval of operating plans, approval of indebtedness etc., we determined that we no longer have the power to direct the activities of Deca that most significantly impacts Deca's economic performance. However, as we continue to have significant influence over Deca's financial and operating policies, effective July 29, 2016, the investment in Deca is being accounted for as an equity method investment and is no longer a consolidated subsidiary. The carrying initial value of this equity method investment was determined based on the fair value of the equity in Deca, which the Company calculated to be $142.5 million. This represents our remaining investment in Deca immediately following the investments by third-party investors. As a result of the change in the method of accounting for our investment in Deca from consolidation to the equity method of accounting, the net carrying value of the assets and liabilities related to Deca, and the adjustments related to the recognition of the initial fair value of the equity method investment resulted in a gain of $112.8 million which has been reflected as "Gain related to investment in Deca Technologies Inc." in the Consolidated Statements of Operations.

Impairment related to assets held for sale

During fiscal 2016, we committed to a plan to sell our wafer manufacturing facility located in Bloomington, Minnesota, as well as a building in Austin, Texas, the sale of this asset is expected to be completed in fiscal 2017. On March 1, 2017, we completed the sale of our wafer fabrication facility in Minnesota. See Note 22 of the notes to the consolidated financial statements.

We recorded an impairment charge of $37.2 million during fiscal 2016, to reflect the estimated fair value, net of cost to sell these assets.

Goodwill impairment charge

Our results for the year ended January 1, 2017 included a goodwill impairment charge of $488.5 million related to our former PSD reporting unit. The goodwill impairment charge resulted from a combination of factors including, (a) decreases in our forecasted operating results when compared with the expectations of the PSD reporting unit at the time of the Spansion Merger, primarily in consumer markets as the Company has subsequently increased its focus on the automotive and industrial end markets, (b) evaluation of business priorities due to recent changes in management at that time, and (c) certain market conditions which necessitated a quantitative impairment analysis for the carrying value of the goodwill related to PSD.

There were no goodwill impairment charges recorded during fiscal 2015 and fiscal 2014.

Restructuring

2016 Restructuring Plan

During fiscal 2016, the Company began implementation of a reduction in workforce ("2016 Plan"), which is expected to result in elimination of approximately 430 positions worldwide across various functions. The personnel cost related to the 2016 Plan during fiscal 2016 were $26.3 million. The Company presently estimates recording approximately $2.2 million of additional restructuring costs related to the 2016 Plan through the first quarter of fiscal 2017. The Company expects that the costs incurred under the 2016 Plan will be paid out in cash through fiscal 2017. Depending on the final outcome of the pending actions related to the remaining expense to be recorded and the cash payouts maybe materially different from our current estimates.

We plan to reinvest a substantial portion of the savings generated from the 2016 Restructuring Plan into certain business initiatives and opportunities. Consequently, the 2016 Restructuring Plan is not expected to result in a material reduction in our future operating expenses.

Spansion Integration-Related Restructuring Plan

In March 2015, we began the implementation of planned cost reduction and restructuring activities in connection with the Merger. During fiscal 2016, a release of previously estimated personnel related liability of $0.1 million was recorded. During fiscal 2015, restructuring charge of $90.1 million primarily consists of severance costs, lease termination costs and impairment of property, plant and equipment. The lease termination costs include approximately $18 million relating to the buildings Spansion had leased prior to the Merger, which we decided not to occupy in the post-Merger period. The initial term of the lease commenced on January 1, 2015 and will expire on December 31, 2026.

We anticipate that the remaining restructuring liability balance will be paid out in cash through fiscal 2017 for employee terminations and over the remaining lease term through 2026 for the excess lease obligation.

Gain on Divestiture of TrueTouch® Mobile Business

In connection with the sale of the TrueTouch® mobile touchscreen business to Parade for total cash proceeds of $98.6 million, we sold certain assets associated with the disposed business mostly consisting of inventory with a net book value of $10.5 million and recognized a gain of $66.5 million in fiscal 2015, net of the amount of gain deferred in connection with an ongoing manufacturing service agreement we entered into with Parade in connection with the divestiture.

Interest expense

Interest expense for fiscal 2016 was $55.2 million and represents accretion of interest expense on 4.50% Senior Exchangeable Notes, 2.00% Senior Exchangeable Notes, interest expense incurred on our revolving line of credit, Term Loan A, Term Loan B and other debt.

Interest expense for fiscal 2015 was $16.4 million and represents accretion of interest expense on 2.00% Senior Exchangeable Notes, interest expense incurred on our revolving line of credit, Term Loan A and other debt.

Interest expense for fiscal 2014 was $5.8 million and represents interest expense incurred on our revolving line of credit and other term debt.

Refer to Note 14 of Notes to the Consolidated Financial Statements under Item 8 for more information about our credit facilities.

Other Income (expense), Net

The following table summarizes the components of other income (expense), net:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
Interest income	$ 1,836	$ 885	$ 362
Changes in fair value of investments under the deferred compensation plan	2,326	(1,354)	3,014
Unrealized gain (loss) on marketable securities	325	(4,655)	(1,495)
Foreign currency exchange gains (losses), net	(4,251)	744	1,382
Gain (loss) on sale of investments	(265)	276	—
Other	342	335	40
Other income (expense), net	$ 313	$(3,769)	$ 3,303

Employee Deferred Compensation Plan

We have a deferred compensation plan, which provides certain key employees, including our executive management, with the ability to defer the receipt of compensation in order to accumulate funds for retirement on a tax-deferred basis. We do not make contributions to the deferred compensation plan and we do not guarantee returns on the investments. Participant deferrals and investment gains and losses remain as our liabilities and the underlying assets are subject to claims of general creditors. In fiscal 2016, 2015 and 2014, we recognized changes in fair value of the assets under the deferred compensation plan in "Other income (expense), net" of $2.3 million of interest income, $1.4 million of interest expense, and $3.0 million of interest income, respectively. The increase or decrease in the fair value of the investments relates to the increased or decreased performance of the portfolio on a year over year basis. Refer to Note 18 of the Notes to the Consolidated Financial Statements under Item 8 for more information about our deferred compensation plan.

Unrealized (realized) loss on marketable securities

In the fourth quarter of fiscal 2014, the Company, through a wholly-owned subsidiary, purchased 6.9 million ordinary shares of Hua Hong Semiconductor Limited (HHSL) for an aggregate price of $10.0 million in connection with their initial public offering. HHSL is the parent company of Grace Semiconductor Manufacturing Corporation, which is one of our strategic foundry partners. We recorded an unrealized loss on our investment in HHSL's ordinary shares of $4.7 million and $1.5 million in fiscal 2015 and 2014, respectively, as a result of the decline in the fair market value of the investment. During 2016 the Company disposed the shares of HHSL and the realized gain is immaterial to the consolidated financial statements.

Equity in Net Loss of Equity Method Investees

We have been making investments in Enovix Corporation ("Enovix"). We invested $28.0 million and $23.0 million in Enovix during 2015 and 2016 respectively. Our investment holding comprised of 38.7% and 46.6% of Enovix's equity at the end of fiscal 2015 and 2016, respectively. Since the fourth quarter of 2014 we have been accounting for our investment in Enovix using the equity method of accounting.

In the second quarter of fiscal 2016, we changed the basis of accounting for our investment in Deca Technologies Inc. ("Deca") to the equity method of accounting. As of the end of fiscal year 2016, our investment comprised 52.5% of Deca's equity.

During fiscal 2016, 2015 and 2014, we recorded $9.4 million, $7.1 million and $5.1 million respectively for our share of losses recorded by Enovix. During fiscal 2016, we recorded $8.2 million for our share of losses recorded by Deca.

Income Taxes

Our income tax expense was $2.6 million and $16.9 million in fiscal 2016 and fiscal 2015, respectively. Our income tax benefit was $1.2 million for fiscal 2014. The income tax expense for fiscal 2016 was primarily attributable to income taxes associated with our non-US operations, primarily offset by release of previously accrued taxes related to the lapsing of statutes of limitation. The income tax expense for fiscal 2015 was primarily a result of non-U.S. income taxes on income earned in foreign jurisdictions. The income tax benefit in fiscal 2014 was primarily attributable to a release of previously accrued taxes of approximately $8.3 million related to settlements with taxing authorities and the lapsing of statutes of limitations, primarily offset by income taxes associated with our non-U.S. operations.

Our effective tax rate varies from the U.S. statutory rate primarily due to earnings of foreign subsidiaries taxed at different rates and a full valuation allowance on net operating losses incurred in the U.S. The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. We regularly assess our tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the many countries in which we and our affiliates do business.

Income tax examinations of our Malaysian subsidiary for the fiscal years 2007 to 2012 and our Thailand subsidiary for fiscal year 2010 are in progress. We do not believe the ultimate outcome of these examinations will result in a material increase to our tax liability.

International revenues account for a significant portion of our total revenues, such that a material portion of our pretax income is earned and taxed outside the U.S. at rates ranging from 0% to 25%. The impact on our provision for income taxes of foreign income being taxed at rates different than the U.S. federal statutory rate was an expense of approximately $36.6 million, an expense of $22.4 million, and benefit of $37.5 million in 2016, 2015 and 2014, respectively. The foreign jurisdictions with lower tax rates as compared to the U.S. statutory federal rate that had the most significant impact on our provision for foreign income taxes in the periods presented include the Cayman Islands, Malaysia, Philippines and Thailand.

On July 27, 2015, in Altera Corp. v. Commissioner, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. On February 19, 2016, the Internal Revenue Service appealed the decision. A final decision has yet to be issued. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. Due to the uncertainty surrounding the status of the current regulations, questions related to the scope of potential impact, and the risk of the Tax Court's decision being overturned upon appeal, we have not recorded any impact related to this issue as of January 1, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our consolidated cash, cash equivalents and short-term investments and working capital:

	As of		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Cash, cash equivalents and short-term investments	$121,144	$227,561	$118,812
Working capital, net	$191,486	$322,376	$ 37,479

Key Components of Cash Flows

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(in thousands)	
Net cash provided by operating activities	$ 217,419	$ 8,801	$103,336
Net cash used in investing activities	$(613,439)	$ (79,087)	$ (42,156)
Net cash provided by (used in) financing activities	$ 289,502	$193,240	$ (43,453)

Fiscal 2016:

Operating Activities

Net cash provided by operating activities of $217.4 million during fiscal 2016 was primarily due to a net loss of $686.9 million offset by net non-cash items of $884.1 million and $20.2 million increase in cash due to changes in operating assets and liabilities. The non-cash items primarily consisted of:

- depreciation and amortization of $265.9 million,
- stock based compensation expense of $105.3 million,
- restructuring costs and other of $27.2 million,
- accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt of $13.1 million,
- Share in net loss of equity method investees of 17.6 million,
- goodwill impairment charge of $488.5 million,
- gain related to investment in Deca Technologies Inc. of $112.8 million,
- impairment charge related to assets held for sale of $37.2 million, and
- impairment charge for acquisition-related IPR&D of $33.9 million.

The increase in net cash due to changes in operating assets and liabilities during fiscal 2016 of $20.2 million, which was primarily due to the following:

- an increase in accounts receivable of $41.0 million due to an increase in sales during fiscal 2016. The days sales outstanding for fiscal 2016 and fiscal 2015 were 61 days;
- an increase in inventories of $34.0 million as a result of the IoT acquisition;
- an increase in other current and long-term assets of $12.2 million, primarily due to timing of payments for certain licenses;

- an increase in accounts payable, accrued and other liabilities of $76.7 million due to timing of payments; and
- a decrease in deferred income of $66.8 million due to the transition of additional product families to the sell-in basis of revenue recognition. The decrease in deferred income was offset by an increase in price adjustment reserve for sale to distributors of $97.3 million due to the change in revenue recognition for certain product families in fiscal 2016 on a sell-in basis, which required us to record a reserve for distributor price adjustments based on our estimate of historical experience rates.

Investing Activities

In fiscal 2016, we used approximately $613.4 million of cash in our investing activities primarily due to $550.0 million for acquisition of the IoT business, $57.4 million of cash used for property and equipment expenditures relating to purchases of certain tooling, laboratory and manufacturing facility equipment and $27.1 million cash paid for certain investments, which including $23.0 million towards our investment in Enovix. Such uses of cash were offset by sale and maturities of investments of $85.9 million.

Financing Activities

In fiscal 2016, we generated approximately $289.5 million of cash from financing activities, primarily from our borrowings on the 4.50% Senior Convertible Notes of $287.5 million, $450 million borrowing on our Term Loan B and proceeds of $43.9 million from employee equity awards. Such borrowings were offset by the repurchase of stock in the amount of $175.7 million, net repayments of $312.0 million on the revolving credit facility, $141.4 million dividend payments, purchase of capped call for the 4.50% Senior Exchangeable Notes of $8.2 million and repayments of capital leases and Term Loan A of $10.6 million.

<u>Fiscal 2015:</u>

Operating Activities

In fiscal 2015, net cash provided by operating activities was $8.8 million compared to net cash provided by operating activities of $103.3 million in fiscal 2014. Net cash provided by operating activities in fiscal 2015 was primarily due to a net loss of $378.9 million adjusted for a net non-cash items of $293.6 million and a net cash provided by change in operating assets and liabilities of $96.4 million. The non-cash adjustments primarily consisted of depreciation and amortization of $243.8 million, stock based compensation expense of $93.5 million, non-cash restructuring charges of $8.6 million and, gain on the sale of our TrueTouch® mobile business of $66.5 million. The net cash provided by changes in operating assets and liabilities was due a decrease in inventories of $228.3 million offset by an increase in accounts receivables of $117.4 million, increase in other assets of $6.0 million, decrease in accounts payable, accrued and other liabilities of $54.3 million and a decrease in deferred income of $14.2 million. The decrease in inventory was primarily due to $133.0 million of reserves recorded to write down inventory assumed from the Merger and was recognized as part of the Company's strategy to focus on high margin, profitable business as a combined company and to move away from the production and sale of inventory associated with non-strategic businesses.

Investing Activities

In fiscal 2015, we used $79.1 million of cash in our investing activities compared to $42.2 million in fiscal 2014. The cash we used in investing activities in fiscal 2015 was primarily due to $105.1 million in net cash paid on the Merger as part of purchase consideration, $47.2 million of cash used for property and equipment expenditures $28.0 million cash paid for equity investments and $6.1 million paid for a cost method investment. These increases were partially offset by $17.4 million of proceeds from the sales or maturities of investments and $98.6 million of cash proceeds from the sale of our TrueTouch® Mobile business, of the total cash proceeds received from the sale of our TrueTouch® mobile business, $10.0 million are held in an Escrow account until January 2017.

Financing Activities

In fiscal 2015, we generated $193.2 million of cash from our financing activities compared to $43.4 million in fiscal 2014. The cash we used in our financing activities in fiscal 2015 was primarily related our net borrowings on the revolving credit facility of $537.0 million, borrowings of $97.2 million on Term Loan A, net of costs, proceeds from settlement of capped calls which were assumed as part of the Merger of $25.3 million and net proceeds from the issuance of common shares under our employee stock plans of $52.3 million. The increases were offset by $315.0 million repayment of line of credit facility, $128.0 million of dividend payments, $55.1 million of repurchase of treasury stock and $9.6 million cash used for yield enhanced structured agreements settled in common stock.

Fiscal 2014:

Operating Activities

In fiscal 2014, net cash provided by operating activities was $103.3 million compared to $67.6 million in fiscal 2013. The increase in operating cash flows for fiscal 2014 was primarily due to an increase in net income of $66.2 million compared to fiscal 2013. Our operating cash flow for 2014 of $103.3 million was primarily due to our net income of $16.5 million, net favorable non-cash adjustments to our net income including stock-based compensation of $50.2 million and depreciation and amortization of $46.7 million, and a net change in working capital of $15.7 million.

Investing Activities

In fiscal 2014, net cash used in investing activities was $42.2 million compared to net cash used in investing activities of $0.3 million in fiscal 2013. The net cash used in our investing activities in fiscal 2014 was primarily due to investment purchases of $23.4 million, purchases of property and equipment of $20.9 million and investments made in other entities accounted for under the cost or equity method of accounting of $18.4 million, offset by the proceeds from sales of investments of $16.6 million.

Financing Activities

In fiscal 2014, net cash used in financing activities was $43.4 million compared to $45.0 million in fiscal 2013. The cash we used in our financing activities in fiscal 2014 was primarily due to payment of dividends of $69.2 million and the repayment of debt and obligations under capital leases of $6.3 million, offset by net proceeds of $32 million from the issuance of common shares under our employee stock plans.

Liquidity and Contractual obligations

Senior Secured Revolving Credit Facility

On July 5, 2016, the Company entered into a Joinder and Amendment Agreement with the guarantors party thereto, the initial incremental term loan lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent. The Joinder Agreement supplements the Company's existing Amended and Restated Credit and Guaranty Agreement, dated as of March 12, 2015, by and among the Company, the guarantors, the lenders, the Agent, and Morgan Stanley Bank, N.A., as issuing bank and others.

The Joinder and Amendment Agreement provides for the incurrence by the Company of an incremental term loan in an aggregate principal amount of $450.0 million ("Term Loan B"). The incurrence of Term Loan B is permitted as an incremental loan under the Credit Agreement and is subject to the terms of the Credit Agreement and to additional terms set forth in the Joinder and Amendment Agreement. Term Loan B will initially bear interest at (i) an adjusted LIBOR rate loan plus an applicable margin of 5.50% or (ii) an adjusted base rate loan plus an applicable margin of 4.50%. Following the delivery of the Compliance Certificate and the financial statements for the period ending the last day of the third Fiscal Quarter of 2016, Term Loan B shall bear interest, at the Company's option, at (i) an adjusted LIBOR rate plus an applicable margin of either 5.25% or 5.50%, or (ii) an adjusted base plus an applicable margin of either 4.25% or 4.50%, with the applicable margin in each case determined based on the Company's total net leverage ratio for the trailing twelve month period ended as of the last day of the Company's most recently ended fiscal quarter. The Company paid an upfront fee to the initial incremental lenders in an amount equal to 1.5% of the aggregate principal amount of the Incremental Term Loan funded. The Company is required to pay a prepayment premium of 1% of the principal amount prepaid if it prepays the Incremental Term Loan in certain circumstances prior to the date that is twelve months after the Closing Date. Term Loan B was fully funded on the Closing Date and matures on July 5, 2021.The Company incurred financing costs of $11.5 million to the lenders of Term Loan B which has been capitalized and recognized as a deduction of the Term Loan B balance in "Long-term revolving credit facility and long term debt" on the Consolidated Balance Sheet. These costs will be amortized over the life of Term Loan B and recorded in "Interest Expense" on the Consolidated Statement of Operations.

The Credit Facility, as amended, provides for a $450 million revolving credit facility and generally contains the same representations and warranties, covenants, and events of default that it contained prior to the effectiveness of the Amendment. The Amendment did not change the interest rate or maturity applicable to the Credit Facility and the Credit Facility remains guaranteed by certain present and future wholly-owned material domestic subsidiaries (the "Guarantors") and secured by a security interest in substantially all of our assets and the Guarantors.

The proceeds of the Incremental Term Loan were used to finance a portion of the purchase price for the Company's acquisition of certain assets related to the IoT business, and to pay fees and expenses incurred in connection with the acquisition.

We believe that the liquidity provided by existing cash, cash equivalents and available-for-sale investments and our borrowing arrangements will provide sufficient capital to meet our requirements for at least the next twelve months. However, should economic conditions and/or financial, business and other factors beyond our control adversely affect the estimates of our future cash requirements, we could be required to fund our cash requirements by alternative financing. There can be no assurance that additional financing, if needed, would be available on terms acceptable to us or at all. In addition, we may choose at any time to raise additional capital or debt to strengthen our financial position, facilitate growth, enter into strategic initiatives (including the acquisition of other companies) and provide us with additional flexibility to take advantage of other business opportunities that arise. As of January 1, 2017, we were in compliance with all of the financial covenants under the Credit Facility.

As of the filing date of this Form 10-K, $872.0 million aggregate principal amount of loans and letters of credit are outstanding under the Credit Facility.

Refer to Note 14 of the Notes to the Consolidated Financial Statements under Item 8 for more information on our senior secured revolving credit facility.

Contractual Obligations

The following table summarizes our contractual obligations as of January 1, 2017:

	Total	2017	2018 and 2019	2020 and 2021	After 2021
			(In thousands)		
Purchase obligations(1)	$ 458,473	$244,427	$146,007	$ 68,039	$ —
Operating lease commitments(2)	77,322	18,935	22,622	13,945	21,820
Capital lease obligations and Equipment loans	152	152	—	—	—
2.00% Senior Exchangeable Notes	149,990	—	—	149,990	—
4.50% Senior Exchangeable Notes	287,500	—	—	—	287,500
Term Loan A	95,000	7,500	17,500	70,000	—
Term Loan B	444,375	22,500	47,835	374,040	—
Interest payment on debt	247,362	60,688	113,624	66,437	6,613
Senior Secured Revolving Credit Facility	332,000	—	—	332,000	—
Total contractual obligations	$2,092,174	$354,202	$347,588	$1,074,451	$315,933

(1) Purchase obligations primarily include non-cancelable purchase orders for materials, services, manufacturing equipment, building improvements and supplies in the ordinary course of business. Purchase obligations are defined as enforceable agreements that are legally binding on us and that specify all significant terms, including quantity, price and timing.

(2) Operating leases includes payments relating to Spansion's lease for office space in San Jose for a new headquarters entered on May 22, 2014, which is no longer required. The lease is for a period of 12 years, with two options to extend for periods of five years each after the initial lease term. The term of the lease commenced on January1, 2015 and expires on December 31, 2026.

As of January 1, 2017 our unrecognized tax benefits were $24.3 million, which were classified as long-term liabilities. We believe it is possible that we may recognize approximately $0.5 million of our existing unrecognized tax benefits within the next twelve months as a result of the lapse of statutes of limitations and the resolution of agreements with domestic and various foreign tax authorities.

Equity Investment Commitments

We have committed to make additional investments of an amount of approximately $5 million in Enovix subject to the attainment of certain milestones.

Capital Resources and Financial Condition

Our long-term strategy is to maintain a minimum amount of cash for operational purposes and to invest the remaining amount of our cash in interest-bearing and highly liquid cash equivalents and debt securities, repayment of debt, the purchase of our stock through our stock buyback program and payments of regularly scheduled cash dividends. In addition we may use excess cash to invest in strategic investments and partnerships and pursue acquisitions. Our investment policy defines three main objectives when buying investments: security of principal, liquidity, and maximization of after-tax yield. We invest excess cash in various financial securities subject to certain requirements including security type, duration, concentration limits, and credit rating profile.

As of January 1, 2017 a total cash and short-term investment position of $121.1 million is available for use in current operations.

As of January 1, 2017, approximately 64.0% of our cash and cash equivalents and available-for-sale investments are held outside of the United States. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies. All offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts, if repatriated may be subject to tax and other transfer restrictions.

On February 17, 2017, we amended our Senior Secured Credit Facility. The amendment reduced the applicable margin on our Term Loan A from 5.11% to 3.75% and on our Term Loan B from 5.50% to 3.75% effective February 17, 2017. Additionally, the amended financial covenants include the following conditions: 1) maximum senior secured leverage ratio of 4.25 to 1.00 through December 31, 2017, 2) maximum senior secured leverage ratio of 4.00 to 1.00 through July 1, 2018 and 3.75 to 1.00 thereafter.

We believe that liquidity provided by existing cash, cash equivalents and investments, our cash from operations and our borrowing arrangements will provide sufficient capital to meet our requirements for at least the next twelve months. However, should economic conditions were to become adverse, debt covenants constraints, and/or financial, business and other factors beyond our control adversely affect our estimates of our future cash requirements, we could be required to fund our cash requirements by alternative financing. There can be no assurance that additional financing, if needed, would be available on terms acceptable to us or at all. We may also choose at any time to raise additional capital or debt to strengthen our financial position, facilitate growth, enter into strategic initiatives including the acquisition of other companies, repurchases of shares of stock or increase our dividends or pay a special dividend and provide us with additional flexibility to take advantage of other business opportunities that arise.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements included in this Annual Report on Form 10-K and the data used to prepare them. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and we are required to make estimates, judgments and assumptions in the course of such preparation. Note 1 of the Notes to the Consolidated Financial Statements under Item 8 describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. On an ongoing basis, we re-evaluate our judgments and estimates including those related to revenue recognition, allowances for doubtful accounts receivable, inventory valuation, valuation of long-lived assets, goodwill and financial instruments, stock-based compensation, and settlement costs, and income taxes. We base our estimates and judgments on historical experience, knowledge of current conditions and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies that are affected by significant estimates, assumptions and judgments used in the preparation of our consolidated financial statements are as follows:

Revenue Recognition:

We generate revenues by selling products to distributors, various types of manufacturers including original equipment manufacturers ("OEMs") and electronic manufacturing service providers ("EMSs"). We recognize revenue on sales to OEMs and EMSs provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, title has transferred, collection of resulting receivables is reasonably assured, there are no customer acceptance requirements, and there are no remaining significant obligations.

Sales to certain distributors are made under agreements which provide the distributors with price protection, stock rotation and other allowances under certain circumstances. When we determine that the uncertainties associated with the rights given to these distributors, revenues and costs related to distributor sales are deferred until products are sold by the distributors to the end customers. In those circumstances, revenues are recognized upon receiving notification from the distributors that products have been sold to the end customers. In these cases, at the time of shipment to distributors, we record a trade receivable for the selling price since there is a legally enforceable right to receive payment, relieves inventory for the value of goods shipped since legal title has passed to the distributors, and defers the related margin and price adjustment as deferred income on sales to distributors on the Consolidated Balance Sheets. Any effects of distributor price adjustments are recorded as a reduction to deferred income at the time the distributors sell the products to the end customers and the distributor submits a valid claim for the price adjustment.

We have prior to 2014, recognized a significant portion of revenue through distributors at the time the distributor resold the product to its end customer (also referred to as the sell-through basis of revenue recognition) given the difficulty in estimating the ultimate price of these product shipments and amount of potential returns. We continuously reassess our ability to reliably estimate the ultimate price of these products and, over the past several years, has made investments in its systems and processes around its distribution channel to improve the quality of the information it receives from its distributors. Given these ongoing investments, and based on the financial framework we use for estimating potential price adjustments, in the fourth quarter of 2014 we began recognizing revenue on certain product families and with certain distributors (less its estimate of future price adjustments and returns) upon shipment to the distributors (also referred to as the sell-in basis of revenue recognition).

During fiscal 2016, we recognized approximately $59.2 million of incremental revenue from this change in revenue recognition, which resulted in a reduction of our net loss of $19.5 million for fiscal 2016, or $0.06 per basic and diluted share.

We record as a reduction to revenues reserves for sales returns, price protection and allowances, based upon historical experience rates and for any specific known customer amounts. We also provide certain distributors and EMSs with volume-pricing discounts, such as rebates and incentives, which are recorded as a reduction to revenues at the time of sale. Historically these volume discounts have not been significant.

Our revenue reporting is highly dependent on receiving pertinent, accurate and timely data from our distributors. Distributors provide us periodic data regarding the product, price, quantity, and end customer when products are resold as well as the quantities of our products they still have in stock. Because the data set is large and complex and because there may be errors in the reported data, we must use estimates and apply judgments to reconcile distributors' reported inventories to their activities. Actual results could vary materially from those estimates.

Business Combinations:

We apply the provisions of Accounting Standards Codification 805, Business Combinations ("ASC 805"), in the accounting for acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Operations. Accounting for business combinations requires the Company's management to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates it has made have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to: future expected cash flows from product sales, customer contracts and acquired technologies, expected costs to develop in-process research and development into commercially viable products and estimated cash flows from the projects when completed and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Valuation of Inventories:

Management periodically reviews the adequacy of our inventory reserves. We record a write-down for our inventories which have become obsolete or are in excess of anticipated demand or net realizable value. We perform a detailed review of inventories each quarter that considers multiple factors including demand forecasts, product life cycle status, product development plans and current sales levels. Inventory reserves are not relieved until the related inventory has been sold or scrapped. Our inventories may be subject to rapid technological obsolescence and are sold in a highly competitive industry. If there were a sudden and significant decrease in demand for our products, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements, we could be required to record additional write-downs, and our gross margin could be adversely affected.

Valuation of Long-Lived Assets:

Our business requires heavy investment in manufacturing facilities and equipment that are technologically advanced but can quickly become significantly under-utilized or rendered obsolete by rapid changes in demand. In addition, we have recorded intangible assets with finite lives related to our acquisitions.

We evaluate our long-lived assets, including property, plant and equipment and purchased 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 underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for our business, significant negative industry or economic trends, and a significant decline in our stock price for a sustained period of time. Impairments are recognized based on the difference between the fair value of the asset and its carrying value, and fair value is generally measured based on discounted cash flow analysis. If there is a significant adverse change in our business in the future, we may be required to record impairment charges on our long-lived assets.

Valuation of Goodwill:

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. We assess our goodwill for impairment on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. In accordance with ASU 2011-08, Testing Goodwill for Impairment, qualitative factors can be assessed to determine whether it is necessary to perform the current two-step test for goodwill impairment. If we believe, as a result of our qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required.

Cash Flow Hedges:

The Company enters into cash flow hedges to protect non-functional currency revenues, inventory purchases and certain other operational expenses against variability in cash flows due to foreign currency fluctuations. The Company's foreign currency forward contracts that were designated as cash flow hedges have maturities between three and nine months. All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions at the inception of the hedge. The Company recognizes derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measures them at fair value on a monthly basis. The Company records changes in the intrinsic value of its cash flow hedges in accumulated other comprehensive income on the Consolidated Balance Sheets, until the forecasted transaction occurs. Interest charges or "forward points" on the forward contracts are excluded from the assessment of hedge effectiveness and are recorded in other income (expense), net in the Consolidated Statements of Operations. When the forecasted transaction occurs, the Company reclassifies the related gain or loss on the cash flow hedge to revenue or costs, depending on the risk hedged. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company will reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income to other income (expense), net in its Consolidated Statements of Operations at that time.

The Company evaluates hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and records any ineffective portion of the hedge in other income (expense), net in its Consolidated Statements of Operations. Refer Note 11 of the Notes to the Consolidated Financial Statements under Item 8 for further details on cash flow and balance sheet hedges.

Stock-Based Compensation:

Under the fair value recognition provisions of the guidance, we recognize stock-based compensation net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest over the requisite service period of the awards. Determining the appropriate fair value model and calculating the fair value of share-based payment awards require the input of highly subjective assumptions, including measurement of level of achievement of performance milestones, the expected life of the share-based payment awards and stock price volatility. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, our future stock-based compensation expense could be significantly different from what we have recorded.

Employee Benefit Plans:

In connection with the Merger, we assumed the Spansion Innovates Group Cash Balance Plan (a defined benefit pension plan) in Japan. A defined benefit pension plan is accounted for on an actuarial basis, which requires the selection of various assumptions such as turnover rates, discount rates and other factors. The discount rate assumption is determined by comparing the projected benefit payments to the Japanese corporate bonds yield curve as of end of the most recently completed fiscal year. The benefit obligation is the projected benefit obligation (PBO), which represents the actuarial present value of benefits expected to be paid upon retirement. This liability is recorded in other long term liabilities on the Consolidated Balance Sheets. Net periodic pension cost is recorded in the

Consolidated Statements of Operations and includes service cost. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the time value of money associated with the passage of time on the PBO. Gains or losses resulting from a change in the PBO if actual results differ from actuarial assumptions will be accumulated and amortized over the future life of the plan participants if they exceed 10% of the PBO, being the corridor amount. If the amount of a net gain or loss does not exceed the corridor amount, it will be recorded to other comprehensive income (loss). See Note 18 of the Notes to the Consolidated Financial Statements for further details of the pension plans.

Accounting for Income Taxes:

Our global operations involve manufacturing, research and development and selling activities. Profits from non-U.S. activities are subject to local country taxes but are not subject to U.S. tax until repatriated to the U.S. United States income tax has not been provided on a portion of earnings of our non-U.S. subsidiaries to the extent that such earnings are considered to be indefinitely reinvested. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We consider historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. Should we determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount, we would record an adjustment to the deferred tax asset valuation allowance. This adjustment would increase income in the period such determination is made.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. We recognize potential liabilities for anticipated tax audit issues in the U.S. 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 when 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.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 1 of the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risks

Our investment portfolio consists of a variety of financial instruments that expose us to interest rate risk, including, but not limited to, money market funds, certificate of deposit and corporate securities. These investments are generally classified as available-for-sale and, consequently, are recorded on our balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income (loss) in stockholders' equity. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate increase in interest rates would have a material effect on the fair value of our portfolio.

Our debt obligations consists of a variety of financial instruments that expose us to interest rate risk, including, but not limited to the Revolving Credit Facility, Term Loans and Convertible Notes. Interest on the Convertible Notes is fixed and interest on our Term Loans is at a variable rate. The interest rate on each of these instruments is tied to short term interest rate benchmarks including the Prime Rate and LIBOR. For example, a one hundred basis point change in the contractual interest rates would change our interest expense for the Term Loans by approximately $5.2 million annually.

We would not expect our long-term operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates since this debt may be refinanced with alternative sources of liquidity, such as convertible debt.

Foreign Currency Exchange Risk

We operate and sell products in various global markets and purchase capital equipment using foreign currencies but predominantly the U.S. dollar. We are exposed to certain risks associated with changes in foreign currency exchange rates in Japanese yen and other foreign currencies and are exposed to foreign currency exchange rate fluctuations.

For example,

- sales of our products are denominated in U.S. dollars, Japanese yen and Euros;
- some of our manufacturing costs are denominated in Japanese yen, and other foreign currencies such as the Thai baht and Malaysian ringgit;
- some of our operating expenses are denominated in Japanese yen and other foreign currencies and
- some fixed asset purchases and sales are denominated in other foreign currencies.

Consequently, movements in exchange rates could cause our revenues and our expenses to fluctuate, affecting our profitability and cash flows. We use foreign currency forward contracts to reduce our foreign exchange exposure on our foreign currency denominated assets and liabilities. We also hedge a percentage of our forecasted revenue denominated in Japanese yen with foreign currency forward contracts. The objective of these contracts is to mitigate impact of foreign currency exchange rate movements to our operating results on a short-term basis. We do not use these contracts for speculative or trading purposes.

We recognize derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. We record changes in the intrinsic value of these cash flow hedges in accumulated other comprehensive loss on the Consolidated Balance Sheets, until the forecasted transaction occurs. When the forecasted transaction occurs, we reclassify the related gain or loss on the cash flow hedge to the appropriate revenue or expense line of the Consolidated Statements of Operations. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, we will reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive loss to other income (expense), net in our Consolidated Statements of Operations at that time.

We evaluate hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and record any ineffective portion of the hedging instruments in other income (expense), net in our Consolidated Statements of Operations.

We analyzed our foreign currency exposure, including our hedging strategies, to identify assets and liabilities denominated in other currencies. For those assets and liabilities, we evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. We have determined that there would be an immaterial effect on our results of operations from such a shift. Please see Note 11 of the Notes to the Consolidated Financial Statements under Item 8 for details on the contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CYPRESS SEMICONDUCTOR CORPORATION

CONSOLIDATED BALANCE SHEETS

	January 1, 2017	January 3, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 120,172	$ 226,690
Accounts receivable, net	333,037	292,736
Inventories	287,776	243,595
Assets held for sale	30,796	—
Other current assets	122,162	87,751
Total current assets	893,943	850,772
Property, plant and equipment, net	297,266	425,003
Goodwill	1,439,472	1,738,882
Intangible assets, net	904,561	789,195
Equity method investments	188,687	41,330
Other long-term assets	147,942	159,079
Total assets	$ 3,871,871	$ 4,004,261
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 241,424	$ 143,383
Accrued compensation and employee benefits	60,552	54,850
Price adjustments and other distributor related reserves	154,525	55,097
Deferred margin on sales to distributors	—	68,964
Dividends payable	35,506	36,520
Current portion of long-term debt	30,152	14,606
Other current liabilities	180,298	154,976
Total current liabilities	702,457	528,396
Deferred income taxes and other tax liabilities	44,934	51,737
Revolving credit facility and long-term debt	1,194,979	673,659
Other long-term liabilities	36,749	37,784
Total liabilities	1,979,119	1,291,576
Commitments and contingencies (Note 20)	—	—
Equity:		
Preferred stock, $.01 par value, 5,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value, 650,000 and 650,000 shares authorized; 497,055 and 481,912 shares issued; 323,583 and 332,276 shares outstanding at January 1, 2017 and January 3, 2016, respectively	4,737	4,637
Additional paid-in-capital	5,676,236	5,623,411
Accumulated other comprehensive loss	(8,811)	(227)
Accumulated deficit	(1,445,033)	(758,780)
Stockholders' equity before treasury stock	4,227,129	4,869,041
Less: shares of common stock held in treasury, at cost; 173,472 and 149,636 shares at January 1, 2017 and January 3, 2016 and, respectively	(2,335,301)	(2,148,193)
Total Cypress stockholders' equity	1,891,828	2,720,848
Non-controlling interest	924	(8,163)
Total equity	1,892,752	2,712,685
Total liabilities and equity	$ 3,871,871	$ 4,004,261

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

CYPRESS SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands, except per-share amounts)		
Revenues	$1,923,108	$1,607,853	$725,497
Costs and expenses:			
Cost of revenues	1,237,974	1,207,850	361,820
Research and development	331,737	281,391	164,560
Selling, general and administrative	317,383	323,570	170,741
Amortization of intangible assets	174,745	108,335	6,683
Impairment of acquisition-related intangible assets	33,944	—	—
Impairment related to assets held for sale	37,219	—	—
Goodwill impairment charge	488,504	—	—
Restructuring costs (benefit)	26,131	90,084	(1,180)
(Gain) related to investment in Deca Technologies Inc.	(112,774)	—	—
(Gain) on divestiture of TrueTouch® Mobile business	—	(66,472)	—
Total costs and expenses	2,534,863	1,944,758	702,624
Operating (loss) income	(611,755)	(336,905)	22,873
Interest expense	(55,192)	(16,356)	(5,763)
Other income (expense), net	313	(3,769)	3,303
(Loss) Income, before income taxes and non-controlling interest	$ (666,634)	$ (357,030)	$ 20,413
Income tax (provision) benefit	(2,616)	(16,960)	1,173
Share in net loss of equity method investees	(17,644)	(7,148)	(5,068)
Net (loss) income	(686,894)	(381,138)	16,518
Net income attributable to non-controlling interest, net of taxes	643	2,271	1,418
Net income (loss) attributable to Cypress	$ (686,251)	$ (378,867)	$ 17,936
Net income (loss) per share attributable to Cypress:			
Basic	$ (2.15)	$ (1.25)	$ 0.11
Diluted	$ (2.15)	$ (1.25)	$ 0.11
Cash dividends declared per share	$ 0.44	$ 0.44	$ 0.44
Shares used in net income (loss) per share calculation:			
Basic	319,522	302,036	159,031
Diluted	319,522	302,036	169,122

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

CYPRESS SEMICONDUCTOR CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Twelve Months Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Net (loss) income	$(686,894)	$(381,138)	$16,518
Other comprehensive (loss) income:			
Net change in unrealized (losses) gains on available for sale securities	—	28	131
Reclassifications of net realized (gains) losses on available-for-sale securities included in net income (loss)	—	—	171
Net unrecognized gain on Defined Benefit Plan	(1,214)	26	—
Net unrealized gain (loss) arising during the period	(5,186)	(1,651)	—
Net loss reclassified into earnings for revenue hedges (effective portion)	13,650	(1,678)	—
Net loss reclassified into earnings for revenue hedges (ineffective portion)	(173)	—	—
Net loss reclassified into earnings from expense hedges (ineffective portion)	—	80	—
Net loss (gain) reclassified into earnings for expense hedges (effective portion)	(15,661)	3,014	—
Net unrealized gain (loss) on cash flow hedges	(7,370)	(235)	—
Other comprehensive gain (loss)	(8,584)	(181)	302
Comprehensive income (loss)	(695,478)	(381,319)	16,820
Comprehensive loss attributable to non-controlling interest	643	2,271	1,418
Comprehensive income (loss) attributable to Cypress	$(694,835)	$(379,048)	$18,238

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock		Noncontrolling Interest	Total Equity
	Shares	Amount				Shares	Amount		
December 29, 2013	**296,346**	**$2,963**	**$2,665,453**	**$ (177)**	**$ (397,849)**	**143,132**	**$(2,090,233)**	**$(4,474)**	**$ 175,683**
Comprehensive income:									
Net income attributable to Cypress .	—	—	—	—	17,936	—	—	—	17936
Net unrealized gain on available-for-sale investments . . .	—	—	—	131	—	—	—	—	131
Yield enhancement structured agreements, net	—	—	318	—	—	—	—	—	318
Issuance of common shares under employee stock plans	9,821	76	33,071	—	—	—	—	—	33,147
Withholding of common shares for tax obligations on vested restricted shares	—	—	—	—	—	22	(260)	—	(260)
Stock-based compensation	—	—	46,663	—	—	—	—	—	46,663
Dividends	—	—	(70,335)	—	—	—	—	—	(70,335)
Noncontrolling interest	—	—	—	—	—	—	—	(1,418)	(1,418)
Balances at December 28, 2014 . . .	**306,167**	**$3,039**	**$2,675,170**	**$ (46)**	**$ (379,913)**	**143,154**	**$(2,090,493)**	**$(5,892)**	**$ 201,865**
Comprehensive income:									
Net income attributable to Cypress .	—	—	—	—	(378,867)	—	—	—	(378,867)
Net unrealized gain on available-for-sale investments . . .	—	—	—	(181)	—	—	—	—	(181)
Changes in employee deferred compensation plan assets	—	—	—	—	—	—	(227)	—	(227)
Yield enhancement structured agreements, net	—	(96)	(9,118)	—	—	1,000	—	—	(9,214)
Assumption of stock options and awards related to Spansion Merger	163,932	—	2,666,865	—	—	—	—	—	2,666,865
Assumption of 2.00% Senior Exchangeable Notes related to Spansion Merger	—	—	287,362	—	—	—	—	—	287,362
Issuance of common shares under employee stock plans	11,813	1,694	53,863	—	—	—	—	—	55,557
Withholding of common shares for tax obligations on vested restricted shares	—	—	—	—	—	234	(2,455)	—	(2,455)
Repurchase of common shares	—	—	—	—	—	5,248	$ (55,018)	—	(55,018)
Stock-based compensation	—	—	95,814	—	—	—	—	—	95,814
Dividends	—	—	(146,545)	—	—		—	—	(146,545)
Noncontrolling interest	—	—	—	—	—	—	—	(2,271)	(2,271)
January 3, 2016	**481,912**	**4,637**	**5,623,411**	**(227)**	**(758,780)**	**149,636**	**(2,148,193)**	**(8,163)**	**$2,712,685**
Comprehensive income:									
Net income attributable to Cypress .	—	—	—	—	(686,251)	—	—	—	(686,251)
Net unrealized gain on available-for-sale investments . . .	—	—	—	(7,344)	(2)		—		(7,346)
Unrealized gain in defined pension benefit plan	—	—	—	(1,240)	—	—	—	—	(1,240)
Changes in employee deferred compensation plan assets	—	—	—	—	—	—	(94)	—	(94)
Issuance of common shares under employee stock plans	15,143	100	48,166	—	—	—	—	—	48,266
Withholding of common shares for tax obligations on vested restricted shares	—	—	—	—	—	887	(11,320)	—	(11,320)
Repurchase of common shares	—	—	—	—	—	22,949	(175,694)	—	(175,694)
Stock-based compensation	—	—	105,536	—	—	—	—	—	105,536
Convertible debt	—	—	47,686	—	—	—	—	—	47,686
Purchase of capped calls	—	—	(8,166)	—	—	—	—	—	(8,166)
Dividends	—	—	(140,397)	—	—	—	—	—	(140,397)
Deconsolidation of Deca	—	—	—	—	—	—	—	6,838	6,838
Noncontrolling interest	—	—	—	—	—	—	—	2,249	2,249
January 1, 2017	**497,055**	**$4,737**	**$5,676,236**	**$(8,811)**	**$(1,445,033)**	**173,472**	**$(2,335,301)**	**$ 924**	**$1,892,752**

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Cash flows from operating activities:			
Net (loss) income	$(686,894)	$(381,138)	$ 16,518
Adjustments to reconcile income (loss) to net cash provided by operating activities:			
Stock-based compensation expense	105,268	93,527	50,170
Depreciation and amortization	265,922	241,584	46,734
Impairment of acquisition-related intangible assets	33,944	—	—
Impairment related to assets held for sale	37,219	—	—
Impairment of goodwill	488,504	—	—
(Gain) related to investment in Deca Technologies	(112,774)	—	—
(Gain) loss on sale or retirement of property and equipment, net	7,375	424	(196)
Gain on divestiture of TrueTouch® Mobile business	—	(66,472)	—
Share in net loss of equity method investees	17,644	7,148	5,068
Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt	13,139	2,537	—
Loss on trading securities	598	3,191	1,667
Restructuring and other costs	27,235	11,623	(908)
Changes in operating assets and liabilities, net of effects of an acquisition and divestiture:			
Accounts receivable	(41,022)	(117,371)	5,099
Inventories	(33,677)	288,264	9,140
Other current and long-term assets	(12,225)	(5,977)	10,560
Price adjustment reserve for sales to distributors	99,428	32,666	19,605
Accounts payable and other liabilities	76,699	(86,960)	(32,731)
Deferred margin on sales to distributors	(68,964)	(14,245)	(27,390)
Net cash provided by operating activities	$ 217,419	$ 8,801	$ 103,336
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(550,000)	(105,130)	—
Proceeds from maturities of available-for-sale investments	40,000	800	16,556
Proceeds from sales of available-for-sale investments	45,904	16,584	—
Purchases of marketable securities	(80,202)	(1,530)	(23,425)
Contribution, net of distributions to deferred compensation plan	(1,857)	1,511	(1,283)
Acquisition of property, plant and equipment	(57,398)	(47,206)	(20,947)
Deconsolidation of investment in Deca	17,627	—	—
Cash paid for equity and cost method investments, and other	(27,149)	(34,126)	(18,400)
Proceeds from divestiture	—	88,635	3,240
Other	(364)	1,375	2,103
Net cash used in investing activities	$(613,439)	$ (79,087)	$ (42,156)
Cash flows from financing activities:			
Repurchase of common stock	(175,694)	(55,018)	—
Proceeds from employee equity awards	43,850	52,857	31,755
Yield enhancement structured agreements settled in cash, net	—	387	318
Yield enhancement structured agreements settled in stock, net	—	(9,601)	—
Payments of dividends	(141,410)	(127,995)	(69,248)
Purchase of capped calls	(8,165)	—	—
Proceeds from settlement of capped calls	—	25,293	—
Repayment of equipment leases, loans and others	(11,061)	(9,420)	(6,278)
Borrowings under revolving credit facility and line of credit	195,000	537,000	264,000
Borrowings under Term Loan	450,000	97,228	—
Repayments of revolving credit facility and line of credit loan	(312,000)	(315,000)	(264,000)
Repayment of Term Loan A	(10,625)	—	—
Financing costs	(27,893)	(2,491)	—
Proceeds from issuance of 4.50% Senior Exchangeable Notes	287,500	—	—
Net cash provided by (used in) financing activities	$ 289,502	$ 193,240	$ (43,453)
Net increase (decrease) in cash and cash equivalents	(106,518)	122,954	17,727
Cash and cash equivalents, beginning of year	226,690	103,736	86,009
Cash and cash equivalents, end of year	$ 120,172	$ 226,690	$ 103,736
Supplemental disclosures:			
Dividends payable	$ 35,506	$ 36,549	$ 17,931
Cash paid for income taxes	$ 8,288	$ 8,736	$ 4,598
Cash paid for interest	$ 32,625	$ 9,670	$ 5,774
Unpaid purchases of property, plant and equipment	$ 3,960	$ 6,663	$ 1,688

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

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Cypress manufactures advanced embedded system solutions for automotive, industrial, home automation and appliances, consumer electronics and medical products. Cypress' programmable systems-on-chip, general-purpose microcontrollers, analog ICs, wireless and USB-C based connectivity solutions and memories help engineers design differentiated products. Cypress is committed to providing customers with support and engineering resources enabling innovators and out-of-the-box thinkers to disrupt markets and create new product categories in record time.

The Company's operations outside of the United States include its assembly and test plants in Thailand and the Philippines, and sales offices and design centers located in various parts of the world.

On March 12, 2015, the Company completed the merger ("Spansion Merger") with Spansion Inc. ("Spansion") pursuant to the Agreement and Plan of Merger and Reorganization, as of December 1, 2014 (the "Merger Agreement"), for a total consideration of approximately $2.8 billion. Consequently, the financial condition and results of operations includes the financial results of legacy Spansion beginning March 12, 2015. The comparability of our results for the year ended January 1, 2017 to the same periods in fiscal 2015 is impacted by the Spansion Merger.

On July 5, 2016, the Company completed its acquisition of certain assets primarily related to the Internet of Things business of Broadcom Corporation ("IoT business") pursuant to an Asset Purchase Agreement with Broadcom ("Broadcom"), dated April 28, 2016, for a total consideration of approximately $550 million.

Effective as of July 29, 2016, the Company has changed the method of accounting for its investment in Deca Technologies Inc. ("Deca") from consolidation to the equity method of accounting as a result of the investment by certain third party investors in Deca. The comparability of results for fiscal 2016 compared to prior year periods presented is impacted by this change. See Note 6 of the Notes to the Consolidated Financial Statements.

Pursuant to reorganization and internal reporting structure effective fourth quarter, the Company operates under two reportable business segments: Memory Products Division ("MPD") and MCD. Prior to the fourth quarter of fiscal 2016, the Company reported under four reportable business segments: MPD, Programmable Systems Division ("PSD"), Data Communications Division ("DCD") and Emerging Technologies Division ("ETD").

The prior reportable segments of PSD and DCD have been combined and are referred to as MCD. Deca, previously included in ETD, and now accounted for as an equity method investment, has been reflected in MCD for historical results. The MPD segment comprises of substantial portion of the previous MPD segment, as well as certain portions of the previous PSD. Agiga, previously included in ETD has been combined with MPD.

The prior periods herein reflect this change in segment information.

Basis of Preparation

The Company reports on a fiscal-year basis. The Company ends its quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Fiscal 2016 ended on January 1, 2017,

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal 2015 ended on January 3, 2016 and Fiscal 2014 ended on December 28, 2014. Fiscal years 2016 and 2014 each contained 52 weeks. Fiscal 2015 contained 53 weeks.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of Cypress and all of its subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

Certain balances included on the Consolidated Balance Sheet and in the Consolidated Statement of Cash Flows for prior periods have been reclassified to conform to the current period presentation.

During fiscal 2014, the Company recorded out-of-period correcting adjustments to write off certain manufacturing and subcontractor costs that were capitalized within other current assets in previous periods. These corrections resulted in a decrease of net income of $2.6 million for the twelve months ended December 28, 2014. The Company recorded these corrections in the aggregate totaling $2.6 million in cost of revenues in the twelve months ended December 28, 2014. Management assessed the impact of these errors and concluded that the amounts were not material, either individually or in the aggregate, to any prior periods.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable and other current liabilities, the carrying amounts approximate their fair value due to the relatively short maturity of these items. See Note 7 of the Notes to the Consolidated Financial Statements for a detailed discussion of fair value measurements.

Cash and Cash Equivalents

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

Investments

All of the Company's investments in equity securities in publicly traded companies are classified as trading securities. All of the Company's investments in debt securities are classified as available-for-sale securities. Available-for-sale debt securities with maturities greater than twelve months are classified as short-term when they are intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrealized gains and losses, net of tax, as a component of "Accumulated other comprehensive income (loss)" on the Consolidated Balance Sheets. The Company also has minority equity investments in privately-held companies. Minority equity investments in which the Company's ownership interest is less than 20% are carried at cost less any other than temporary impairment write-downs. Minority equity investments in which the Company's ownership interest is 20% or greater are accounted for using the equity method of accounting. Under the equity method of accounting, the Company is required to record its interest in the investee's reported net income or

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(loss) for each reporting period. The Company's equity method investments are included in "Equity Method Investments" on the Consolidated Balance Sheets.

The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines are determined to be other-than-temporary.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market. Market is based on estimated net realizable value. The Company writes down its inventories which have become obsolete or are in excess of anticipated demand or net realizable value based upon assumptions about demand forecasts, product life cycle status, product development plans and current sales levels. Inventory reserves are not relieved until the related inventory has been sold or scrapped.

Long-Lived Assets

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed for financial reporting purposes using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and leasehold interests are amortized over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Estimated useful lives are as follows:

Equipment	3 to 10 years
Buildings and leasehold improvements	5 to 20 years
Furniture and fixtures	3 to 7 years

The Company evaluates its long-lived assets, including property, plant and equipment and 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 underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of assets, significant negative industry or economic trends, and a significant decline in the Company's stock price for a sustained period of time. Impairment is recognized based on the difference between the estimated fair value of the asset and its carrying value. Estimated fair value is generally measured based on quoted market prices, if available, appraisals or discounted cash flow analysis.

Net income (loss) per Share

Basic net income (loss) per share is calculated by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and convertible debt, using the treasury stock method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible debt

In accounting for each series of Senior Exchangeable Notes at issuance, the Company separated the Convertible Notes into debt and equity components according to accounting standards codification ("ASC") 470-20 for convertible debt instruments that may be fully or partially settled in cash upon conversion. The carrying amount of the debt component, which approximates its fair value, was estimated by using an interest rate for non-convertible debt, with terms similar to the Notes. The excess of the principal amount of the Notes over the fair value of the debt component was recorded as a debt discount and a corresponding increase in additional paid-in capital. The debt discount is accreted to the carrying value of the Notes over their term as interest expense using the effective interest method. In accounting for the transaction costs incurred relating to issuance of the Notes, the Company allocated the costs of the offering in proportion to the fair value of the debt and equity recognized in accordance with the accounting standards. The transaction costs allocated to the debt are being amortized as interest expense over the term of the Notes.

In accounting for the cost of the capped call transaction entered in connection with the issuance of the Senior Exchangeable Notes, the Company included the cost as a net reduction to additional paid-in capital in the stockholders' equity section of the consolidated balance sheet, in accordance with the guidance in ASC 815-40 Derivatives and Hedging-Contracts in Entity's Own Equity. See Note 14 of the Notes to the Consolidated Financial Statements for more information.

Assets Held for Sale

The Company considers properties to be assets held for sale when management approves and commits to a plan to actively market a property or group of properties for sale. Assets held for sale are recorded initially at the lower of its carrying value or its estimated fair value, less estimated costs to sell. Upon designation as an asset held for sale, the Company stops recording depreciation expense on such asset. Costs to sell a disposal group include incremental direct costs to transact the sale and represent the costs that result directly from and are essential to a sale transaction that would not have been incurred by the entity had the decision to sell not been made.

The properties that are held for sale prior to the sale date are classified as held for sale and would be presented separately in the appropriate asset and liability sections of the balance sheet. See Note 5 of the Notes to the Consolidated Financial Statements for more information.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

The Company assesses goodwill for impairment on an annual basis on the first day of the fourth quarter of our fiscal year and if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. In accordance with ASU 2011-8, Testing Goodwill for Impairment, qualitative factors may be assessed to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

amount, the quantitative impairment test is required. Otherwise, no further testing is required. See Note 3 of the Notes to the Consolidated Financial Statements for more information.

Purchased intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives and are reviewed for impairment as discussed above. See Note 4 of the Notes to the Consolidated Financial Statements for more information.

Acquisition related In-process Research and Development

Acquisition-related in-process research and development represents the fair value of incomplete research and development projects that have not reached technological feasibility as of the date of acquisition. Initially, these assets are not subject to amortization. The incomplete projects are reviewed each quarter for impairment related to cancellation, change in business plans as well as completion. Assets related to projects that have been completed are transferred to developed technology, which are subject to amortization.

Revenue Recognition

The Company generates revenues by selling products to distributors, various types of manufacturers including original equipment manufacturers (“OEMs”) and electronic manufacturing service providers (“EMSs”). The Company recognizes revenues on sales to OEMs and EMSs upon shipment provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, title has transferred, collection of resulting receivables is reasonably assured, there are no customer acceptance requirements, and there are no significant remaining obligations.

Sales to certain distributors are made under agreements which provide the distributors with price protection, stock rotation and other allowances under certain circumstances. When the Company determines that the uncertainties exist for the rights given to these distributors, revenues and costs related to distributor sales are deferred until products are sold by the distributors to the end customers. In those circumstances, revenues are recognized upon receiving notification from the distributors that products have been sold to the end customers. In these cases, at the time of shipment to distributors, the Company records a trade receivable for the selling price since there is a legally enforceable right to receive payment, relieves inventory for the value of goods shipped since legal title has passed to the distributors, and defers the related margin and price adjustment as deferred income on sales to distributors on the Consolidated Balance Sheets. Any effects of distributor price adjustments are recorded as a reduction to deferred income at the time the distributors sell the products to the end customers and the distributor submits a valid claim for the price adjustment.

The Company had historically recognized a significant portion of revenue through distributors at the time the distributor resold the product to its end customer (also referred to as the sell-through basis of revenue recognition) given the difficulty in estimating the ultimate price of these product shipments and amount of potential returns. The Company continuously reassesses its ability to reliably estimate the ultimate price of these products and, over the past several years, has made investments in its systems and processes around its distribution channel to improve the quality of the information it receives from its distributors. Given these ongoing investments, and based on the financial framework we use for estimating potential price adjustments, in the fourth quarter of 2014 the Company began recognizing revenue on certain product families and with certain distributors (less its estimate of future

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

price adjustments and returns) upon shipment to the distributors (also referred to as the sell-in basis of revenue recognition).

As a result of this change, the Company recognized incremental $12.3 million of revenue during the fourth quarter of fiscal 2014. The impact of this change resulted in an increase of $6.2 million to net income attributable to Cypress for fiscal 2014, or $0.04 per basic and diluted share.

During fiscal 2015, the Company recognized $40.9 million of incremental revenue from this change on additional product families, which resulted in a decrease to the net loss of $25.0 million or $0.08 per basic and diluted shares.

During fiscal 2016, the Company recognized $59.2 million of incremental revenue from this change in revenue recognition, which resulted in a reduction of the Company's net loss of $19.5 million for fiscal 2016, or $0.06 per basic and diluted share. As at the end of fiscal 2016, 100% of the distribution revenue has been converted to sell-in basis of revenue recognition.

The Company records as a reduction to revenues reserves for sales returns, price protection, stock rotation, and allowances based upon historical experience rates and for any specific known customer amounts. The Company also provides certain distributors and EMSs with volume-pricing discounts, such as rebates and incentives, which are recorded as a reduction to revenues at the time of sale.

Employee Benefit Plans

A defined benefit pension plan is accounted for on an actuarial basis, which requires the selection of various assumptions such as turnover rates, discount rates and other factors. The discount rate assumption is determined by comparing the projected benefit payments to the Japanese corporate bonds yield curve as of end of the most recently completed fiscal year. The benefit obligation is the projected benefit obligation (PBO), which represents the actuarial present value of benefits expected to be paid upon retirement. This liability is recorded in other long term liabilities on the Consolidated Balance Sheets. Net periodic pension cost is recorded in the Consolidated Statements of Operations and includes service cost. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the time value of money associated with the passage of time on the PBO. Gains or losses resulting from a change in the PBO if actual results differ from actuarial assumptions will be accumulated and amortized over the future life of the plan participants if they exceed 10% of the PBO, being the corridor amount. If the amount of a net gain or loss does not exceed the corridor amount, it will be recorded to other comprehensive income (loss). See Note 18 of Notes to the Consolidated Financial Statements for further details of the pension plans.

Cash Flow Hedges

The Company enters into cash flow hedges to protect non-functional currency inventory purchases and certain other operational expenses and has an on-going program of cash flow hedges to protect its non-functional currency revenues against variability in cash flows due to foreign currency fluctuations. The Company does not enter into derivative securities for speculative purposes. The Company's foreign currency forward contracts that were designated as cash flow hedges have maturities between three and nine months. The maximum original duration of any contract allowable under the Company's hedging policy is thirteen months. All hedging relationships are formally documented, and the hedges are

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

designed to offset changes to future cash flows on hedged transactions at the inception of the hedge. The Company recognizes derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measures them at fair value on a monthly basis. The Company records changes in the intrinsic value of its cash flow hedges in accumulated other comprehensive income on the Consolidated Balance Sheets, until the forecasted transaction occurs. Interest charges or "forward points" on the forward contracts are excluded from the assessment of hedge effectiveness and are recorded in other income (expense), net in the Consolidated Statements of Operations. When the forecasted transaction occurs, the Company reclassifies the related gain or loss on the cash flow hedge to revenue or costs, depending on the risk hedged. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company will reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income to other income (expense), net in its Consolidated Statements of Operations at that time.

The Company evaluates hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and records any ineffective portion of the hedge in other income (expense), net in its Consolidated Statements of Operations.

See Note 11 of Notes to the Consolidated Financial Statements for further details of the contracts.

Shipping and Handling Costs

The Company records costs related to shipping and handling in cost of revenues.

Advertising Costs

Advertising costs consist of development and placement costs of the Company's advertising campaigns and are charged to expense when incurred. Advertising expense was $3.1 million, $5.0 million and $3.7 million for fiscal years 2016, 2015 and 2014, respectively.

Foreign Currency Transactions

The Company uses the United States dollar as the functional currency for all of its foreign entities. Assets and liabilities of these entities are remeasured into the United States dollar using exchange rates in effect at the end of the period, except for non-monetary assets and liabilities, such as property, plant and equipment, which are remeasured using historical exchange rates. Revenues and expenses are remeasured using average exchange rates in effect for the period, except for items related to assets and liabilities, such as depreciation, that are remeasured using historical exchange rates. The total gains (losses) from foreign currency re-measurement for fiscal years 2016, 2015 and 2014 were $(4.3) million, $0.7 million and $1.4 million respectively and are included in "Other income (expense), net" in the Consolidated Statements of Operations. For additional details related to items included in "Other income (expense), net," see Note 13 of the Notes to the Consolidated Financial Statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash equivalents, debt investments and trade accounts receivable. The Company's investment policy requires cash investments to be placed with high-credit quality institutions and limits the amount

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of credit risk from any one issuer. The Company performs ongoing credit evaluations of its customers' financial condition whenever deemed necessary and generally does not require collateral. The Company maintains an allowance for doubtful accounts based upon the expected collectability of all accounts receivable.

Outstanding accounts receivable from one of the Company's distributors, accounted for 24%, of the consolidated accounts receivable as of January 1, 2017. Outstanding accounts receivable from two of the Company's distributors, accounted for 42% and 11% of the Company's consolidated accounts receivable as of January 3, 2016.

Revenue generated through two of the Company's distributors accounted for 25% and 10%, of the consolidated revenues for fiscal 2015 .

Revenue generated through three of the Company's distributors, accounted for 13%, 10% and 10% respectively, of the consolidated revenues for fiscal 2014.

Income Taxes

The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when management cannot conclude that it is more likely than not that a tax benefit will be realized.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. The Company recognizes potential liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on its 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 when the Company determines the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Pronouncements

The following are the accounting pronouncements issued but not adopted that may materially affect the Company's consolidated financial statements:

In May 2014, the FASB issued an ASU on revenue from contracts with customers, ASU No. 2014-09, "Revenue from Contracts with Customers." This standard update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard permits the use of either the retrospective or cumulative effect transition method. The guidance is effective for annual reporting periods including interim reporting periods beginning after December 15, 2017. Early adoption is permitted for annual reporting periods including interim reporting periods beginning after December 15, 2016. As the new standard will supersede substantially all existing revenue guidance affecting the Company under GAAP, it could impact revenue and cost recognition on sales across all the Company's business segments, in addition to its business processes, compensation, information technology systems and other financial reporting and operational elements. The Company does not plan to early adopt this guidance and has not presently selected a transition method. While we are continuing to assess all potential impacts, we believe the most significant impact of this new guidance on the Company will relate to timing of recognition of revenue from intellectual property and non-recurring engineering arrangements. Because at the end of fiscal 2016, the Company has transitioned all revenue from distributors from sell-through to the sell-in basis of accounting, it does not expect the new guidance to materially impact the timing of recognition of future revenue from distributors. While we are continuing to assess all potential impacts, given our distributor revenues are now recognized at the time of shipment, we believe the most material impact of this new guidance on the Company will relate to timing of recognition of revenue from intellectual property and non-recurring engineering arrangements.

In February 2016, the FASB issued an ASU 2016-02, "Leases (Topic 842)." The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. This ASU is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The Company is currently evaluating the impact the pronouncement will have on it's consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects of the accounting for share-based payments transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In October 2016, the FASB issued ASU 2016-16, "Intra- Entity Transfers of Assets Other Than Inventory". For public entities, ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, "Consolidation: Interest held through Related Parties that Are under Common Control". For public entities ASU 2016-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017- 04, "Intangibles, Goodwill & Other- Simplifying the test for goodwill impairment". The guidance simplifies the measurement of goodwill by eliminating the Step 2 impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, though early adoption is permitted. The Company is currently assessing the impact of this new guidance.

Recently Adopted Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board issued ASU 2014-15, Presentation of Financial Statements, Going Concern. The ASU provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for fiscal years ending after December 15, 2016 and for interim periods there after. The Company adopted ASU 2015-16 standard for the fiscal year ended January 1, 2017.

NOTE 2. MERGERS AND ACQUISITIONS

Acquisition of IoT Business from Broadcom

On July 5, 2016, the Company completed its acquisition of certain assets primarily related to the IoT business of Broadcom Corporation ("Broadcom") pursuant to an Asset Purchase Agreement, dated April 28, 2016. In connection with the closing of the transaction, the Company paid Broadcom $550 million in cash. The results of business acquired as part of this acquisition is reported in the Company's Microcontroller and Connectivity Division.

The acquisition was accounted for using the purchase method of accounting. During the year ended January 1, 2017 approximately $8.9 million in expense were incurred as acquisition expenses related to the IoT business and were recorded in Selling, general and administrative line item in the Consolidated Statements of Operations.

NOTE 2. MERGERS AND ACQUISITIONS (Continued)

The table below represents the allocation of the purchase price to the net assets acquired based on their estimated fair values:

	Fair Values as of July 5, 2016	Changes through January 1, 2017	Final allocation as of January 1, 2017
		(In thousands)	
Intangible assets	$295,400	$ 28,600(a)	$324,000
Property, plant and equipment	16,256	14	16,270
Inventories	11,655	—	11,655
Other current assets	6,532	18	6,550
Other long-term assets	4,203	—	4,203
Goodwill	217,726	(28,632)	189,094
Total assets acquired	$551,772	$ —	$551,772
Other current liabilities	(1,199)	—	(1,199)
Other long-term liabilities	(573)	—	(573)
Total liabilities assumed	(1,772)	—	(1,772)
Fair value of net assets acquired	$550,000	$ —	$550,000

(a) The Company obtained new information regarding the valuation of intangibles assets as of the acquisition date which led to a net increase in the fair value of total assets of $28.6 million and a corresponding decrease in goodwill.

The purchase price has been allocated based on the estimated net tangible and intangible assets of the IoT business that existed on the date of the acquisition. The fair value of identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of the acquisition.

Identifiable intangible assets

The table below shows the valuation of the intangible assets acquired from Broadcom along with their estimated useful lives:

	As of January 1, 2017			
	Gross	Accumulated Amortization	Net	Estimated life (in years)
		(in thousands)		
Existing Technology	$189,300	$(23,662)	$165,638	4
In-Process Research and Development Technology	88,900	—	88,900	N/A
Backlog	13,500	(13,500)	—	<1
Customer Relationships	20,000	(1,000)	19,000	10
License Agreements	3,700	(1,850)	1,850	1
Trademarks	8,600	(1,075)	7,525	4
Total intangible assets	$324,000	$(41,087)	$282,913	

NOTE 2. MERGERS AND ACQUISITIONS (Continued)

In-process research and development ("IPR&D") consists of 6 projects. These projects are expected to be completed during fiscal 2017. The estimated remaining costs to complete the IPR&D projects were approximately $8.9 million as of the acquisition date. The acquired IPR&D will not be amortized until completion of the related products which is determined by when the underlying projects reach technological feasibility and commence commercial production. Upon completion, each IPR&D project will be amortized over its useful life which are expected to be approximately 4 years.

Goodwill

The excess of the fair value of the purchase consideration over the fair values of these identifiable assets and liabilities was recorded as goodwill. The goodwill recognized is primarily attributable to the assembled workforce, a reduction in costs and other synergies, and an increase in product development capabilities. Goodwill was initially allocated to the Company's previous data communications division and was reallocated to the new Microcontroller and Connectivity Division during the fourth quarter of 2016. The goodwill resulting from the acquisition is expected to be deductible for tax purposes.

Spansion Merger

On March 12, 2015, the Company completed the merger ("Merger") with Spansion Inc. ("Spansion") pursuant to the Agreement and Plan of Merger and Reorganization, as of December 1, 2014 (the "Merger Agreement"), for a total consideration of approximately $2.8 billion. In accordance with the terms of the Merger Agreement, Spansion shareholders received 2.457 Cypress shares for each Spansion share they owned. The shareholders of each company initially owned approximately 50% of the post-merger company. The Merger has been accounted for under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standard Topic 805, Business Combinations, with Cypress treated as the accounting acquirer.

The total purchase consideration of approximately $2.8 billion consists of the following:

	Purchase Consideration
	(In thousands)
Fair value of Cypress common stock issued to Spansion shareholders	$2,570,458
Fair value of partially vested Spansion equity awards assumed by Cypress	6,825
Fair value of vested Spansion options assumed by Cypress	89,582
Cash provided by Cypress to repay Spansion term loan	150,000
Total purchase consideration	$2,816,865

In connection with the Merger, the Company assumed stock options and RSUs originally granted by Spansion and converted them into Cypress stock options and RSUs. The fair value of the stock options assumed were determined using a Black-Scholes valuation model with market-based assumptions. The fair value of partially vested Spansion equity awards was $15.68 per share, the Cypress closing stock price on March 12, 2015. The fair value of unvested equity awards relating to future services, and not yet earned, will be recorded as operating expenses over the remaining service periods. Option pricing models require the use of highly subjective market assumptions, including expected stock price volatility, which if changed can materially affect fair value estimates.

NOTE 2. MERGERS AND ACQUISITIONS (Continued)

The table below represents the final allocation of the purchase price to the net assets acquired based on their estimated fair values:

	Final allocation of January 3, 2016
Cash and cash equivalents	$ 44,870
Short-term investments	1,433
Accounts receivable, net	99,387
Inventories	450,634
Other current assets	56,630
Property, plant and equipment, net	356,908
Intangible assets, net	860,700
Goodwill	1,673,186
Other long-term assets	63,497
Total assets acquired	$3,607,245
Accounts payable	(155,336)
Accrued compensation and benefits	(44,669)
Income taxes payable	(1,399)
Other current liabilities	(158,113)
Deferred income taxes and other long term liabilities	(18,202)
Other non current liabilities	(21,477)
Long-term debt(1)	(391,184)
Total liabilities assumed	$ (790,380)
Fair value of net assets acquired	$2,816,865

(1) Includes the fair value of the debt and equity components of Spansion's Exchangeable 2.00% Senior Notes assumed by the Company.

The table below shows the valuation of the intangible assets acquired from Spansion, along with their estimated useful lives:.

	As of March 12, 2015	
	Gross	Estimated range of lives (in years)
	(In thousands)	
Existing Technology	$507,100	4 to 6
In-Process Research and Development Technology	212,300	N/A
Backlog	14,500	1
Customer/Distributor Relationships	97,300	9
License Agreements	9,400	3
Trade Name / Trademarks	20,100	10
Total intangible assets	$860,700	

NOTE 2. MERGERS AND ACQUISITIONS (Continued)

The purchase price was allocated based on the estimated net tangible and intangible assets of Spansion that existed on the date of the Merger. The fair value of identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of the Merger. During the fourth quarter of 2015, as additional information became available, the Company finalized its purchase price allocation that resulted in change in values allocated to identifiable assets and liabilities.

Identifiable intangible assets

Developed technologies acquired primarily consist of Spansion's existing technologies related to embedded systems semiconductors, which include flash memory, microcontroller, mixed-signal and analog products. An income approach was used to value Spansion's developed technologies. Using this approach, the estimated fair value was calculated using expected future cash flows from specific products discounted to their net present values at an appropriate risk-adjusted rate of return.

Customer relationships represent the fair value of projected cash flows that will be derived from the sale of products to Spansion's existing customers based on existing, in-process, and future versions of the existing technology. Customer relationships were valued utilizing a form of the income approach known as the "distributor" method since the primary income producing asset of the business was determined to be the technology assets. Under this premise, the margin a distributor owns is deemed to be the margin attributable to the customer relationships. This isolates the cash flows attributable to the customer relationships that a market participant would be willing to pay for.

Trade names and trademarks are considered a type of guarantee of a certain level of quality or performance represented by the Spansion brand. Trade names and trademarks were valued using the "relief-from-royalty income" approach. This method is based on the assumption that in lieu of ownership, a market participant would be willing to pay a royalty in order to exploit the related benefits of this asset. A discount rate of 9.0% was used to discount the cash flows to the present value.

License agreements represent the estimated fair value of Spansion's existing license agreements under which Spansion generates revenue by licensing its intellectual property to third parties and assists its customers in developing and prototyping their designs by providing software and hardware development tools, drivers and simulation models for system-level integration. License agreements were valued using a form of the income approach known as the of "multi-period excess earnings" approach. Under this approach, the expected cash flows associated with the License agreements were projected then discounted to present value at a rate of return that considers the relative risk of achieving the cash flows and the time value of money. A discount rate of 5.0% was used to discount the cash flows to the present value.

In-process research and development ("IPR&D") represents the estimated fair values of incomplete Spansion research and development projects that had not reached technological feasibility as of the date of Merger. In the future, the fair value of each project at the Merger date will be either amortized or impaired depending on whether the projects are completed or abandoned. The fair value of IPR&D was determined using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the IPR&D less charges representing the contribution of other assets to those cash flows. A discount rate of 10.5% was used to discount the cash flows to the present value.

NOTE 2. MERGERS AND ACQUISITIONS (Continued)

IPR&D consisted of 21 projects, primarily relating to the development of process technologies to manufacture NOR, NAND, Analog, and MCU products. The acquired IPR&D will not be amortized until completion of the related products which is determined by when the underlying projects reach technological feasibility and commence commercial production. Upon completion, each IPR&D project will be amortized over its useful life; useful lives for IPR&D are expected to range between 4 years and 6 years.

As of January 1, 2017, 15 out of 21 projects originally identified, representing $92.1 million of the total capitalized IPR&D of $212.3 million, had reached technological feasibility and were transferred to developed technology. Remaining IPR&D projects are expected to be completed in fiscal 2017. During fiscal 2016, the Company recognized a $33.9 million impairment charge related to two IPR&D projects that were cancelled due to changes in the Company's product portfolio strategy. The impairment charges are included in the "Impairment of acquisition-related intangible assets" line in the Consolidated Statements of Operations.

Goodwill

The excess of the fair value of the Merger consideration over the fair values of these identifiable assets and liabilities was recorded as goodwill. The goodwill recognized is primarily attributable to the assembled workforce, a reduction in costs and other synergies, and an increase in product development capabilities. The goodwill resulting from the Merger is not expected to be deductible for tax purposes. Goodwill has been allocated to the reporting units expected to benefit from the Merger.

Pro forma consolidated results of operations

The following unaudited pro forma financial data for the years ended January 3, 2016 and January 1, 2017 assume that the acquisitions of the IoT business and Spansion Merger had occurred at the beginning of fiscal year 2015. The pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment, adjustments to stock-based compensation expense, and interest expense for the incremental indebtedness incurred, amortization of the step up to fair value of acquired inventory, acquisition related expenses and tax related expenses.The pro forma data are for informational purposes only and are not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2015 or of the results of future operations of the combined businesses. Consequently, actual results will differ from the unaudited pro forma information presented below.

	Years Ended	
	January 1, 2017	January 3, 2016
	(In thousands, except per-share amounts)	
Revenues	$2,018,124	$1,982,824
Net loss	$ (725,359)	$ (505,544)
Net loss per share attributable to Cypress		
Basic	$ (2.27)	$ (1.67)
Diluted	$ (2.27)	$ (1.67)

NOTE 3. GOODWILL

Changes in carrying value of goodwill

During fiscal years 2014, 2015 and through the first three quarters of fiscal 2016, the Company had four reporting units—Memory Products Division ("MPD"), Programmable Solutions Divison ("PSD"), Data Communications Division ("DCD") and Emerging Technologies Division ("ETD"), of which MPD, PSD and DCD carried goodwill.

During the second quarter of fiscal 2016, the Company concluded that a combination of factors, including (a) decreases in its forecasted operating results when compared with the expectations of the PSD reporting unit at the time of the Spansion Merger, primarily in consumer markets as the Company has subsequently increased its focus on the automotive and industrial end markets, (b) evaluation of business priorities due to recent changes in management, and (c) certain market conditions necessitated a quantitative impairment analysis for the carrying value of the Goodwill related to PSD which resulted in an impairment charge of $488.5 million.

As a result of the IoT business acquisition during the third quarter of fiscal 2016, the DCD reporting unit recorded $189.1 million in goodwill.

As a result of a reorganization in the operations of the Company, effective in the beginning of the fourth quarter of fiscal 2016, the Company has two reporting units MPD and Microcontroller & Connectivity Division ("MCD"). Upon the change of the reporting units, the carrying value of goodwill was reallocated to the new MPD and MCD reporting units based on relative fair values of the respective reporting units. Immediately prior to and following the reallocation, an analysis to assess the recoverability of the carrying value of goodwill was carried out which did not indicate any impairment.

The changes in the carrying amount of goodwill by reportable segment for the year ended January 1, 2017 were as follows:

	MPD	PSD	DCD	MCD	Total
			(in thousands)		
Goodwill as of December 28, 2014(1)	$ 33,860	$ 31,836	$ —	$ —	$ 65,696
Goodwill from merger with Spansion	739,036	937,000	—	—	1,676,036
Measurement period adjustments	(2,850)	—	—	—	(2,850)
Goodwill as of January 3, 2016	$ 770,046	$ 968,836	$ —	$ —	$1,738,882
Goodwill impairment		(488,504)			(488,504)
Goodwill from acquisition of IoT Business	—	—	217,726	—	217,726
Measurement period adjustments	—	—	(28,632)	—	(28,632)
Reallocation of goodwill	(113,447)	(480,332)	(189,094)	782,873	—
Goodwill as of January 1, 2017	$ 656,599	$ —	$ —	$782,873	$1,439,472

(1) The Company had previously recorded an impairment charge of $351.3 million in the fourth quarter of fiscal 2008.

Impairment related to the legacy PSD recorded in second quarter of fiscal 2016

As the first step of the quantitative test ("Step 1") in the goodwill impairment test related to the legacy PSD reporting unit, the Company estimated the fair value of the net assets, including goodwill

NOTE 3. GOODWILL (Continued)

related to legacy PSD through a combination of a market approach and an income approach. This combination was deemed to be the best indication of the reporting unit's estimated fair value in an orderly transaction between market participants and is consistent with the methodology of the Company used for the goodwill impairment tests in prior years. The Company applied a weighting of 75% to the income approach and 25% to the market approach. Under the market approach, the Company utilized publicly-traded comparable company information to determine revenue and earnings multiples that are used to value the reporting units. Under the income approach, the Company determined fair value based on estimated future cash flows of the reporting unit discounted by an estimated weighted-average cost of capital, reflecting the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. The Company based cash flow projections for legacy PSD on a forecast of cash flows and a terminal value based on perpetuity growth model for the industry. The forecast and related assumptions were derived from a five-year outlook which included adjustments arising from the changes in strategic decisions as previously discussed.

Based on the Step 1 analysis, the Company concluded that the carrying value of legacy PSD's net assets exceeded their estimated fair value as of June 1, 2016, the date of the analysis. Prior to completing the goodwill impairment test, the Company tested the recoverability of the long lived assets related to the legacy PSD, other than goodwill, and no impairment was noted based on this assessment.

Given the difference between the carrying and estimated fair value of the net assets as noted in Step 1, the Company performed the second step of the quantitative test ("Step 2") by comparing the carrying value of the goodwill related to legacy PSD to its implied fair value. The implied fair value of goodwill was calculated by allocating all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculated the implied fair value of goodwill in the same manner as if the legacy PSD reporting unit was being acquired in a business combination. An impairment charge of $488.5 million was recognized for the excess of the carrying value of goodwill over its implied fair value.

Annual impairment assessment

Goodwill is subject to an annual impairment test during the Company's fourth quarter of each fiscal year, or earlier if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value.

During the fourth quarter of fiscal 2016, immediately prior to and immediately after the reallocation of goodwill to the new reporting units, the Company performed a quantitative assessment to test goodwill for impairment. The Company estimated the fair values of its reporting units using a combination of the income and market approach. These valuation approaches consider a number of factors that include, but are not limited to, forecasted financial information, growth rates, terminal or residual values, discount rates and comparable multiples from publicly traded companies in the Company's industry and require the Company to make certain assumptions and estimates regarding industry economic factors and the future profitability of its' business. Based on this goodwill impairment tests, the Company estimated that the fair value of equity of all reporting units exceeded their carrying value immediately prior to and immediately after the reorganization. As such, no impairment of in the carrying value of goodwill was identified during the fourth quarter of fiscal 2016.

NOTE 3. GOODWILL (Continued)

In fiscal 2015, the Company had elected to perform a quantitative goodwill impairment test for each of its reporting units based on which no goodwill impairment was identified in fiscal 2015.

In fiscal 2014, the Company had elected to perform a qualitative analysis for impairment on goodwill based on which no goodwill impairment was identified in fiscal 2014.

The next annual evaluation of the goodwill by reporting unit will be performed during the fourth quarter of fiscal year 2017, or earlier if indicators of potential impairment exist. Such indicators include, but are not limited to, challenging economic conditions, such as a decline in our operating results, an unfavorable industry or macroeconomic environment, a substantial decline in our stock price, or any other adverse change in market conditions. Such conditions could have the effect of changing one of the critical assumptions or estimates we use to calculate the fair value of our reporting units, which could result in a decrease in fair value and require us to record goodwill impairment charges.

NOTE 4. INTANGIBLE ASSETS

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

	As of January 1, 2017			As of January 3, 2016		
	Gross	Accumulated Amortization	Net(a)	Gross	Accumulated Amortization	Net(a)
	(In thousands)					
Developed technology and other intangible assets						
Acquisition-related intangible assets	$1,021,244	$(295,023)	$726,221	$ 836,256	$(226,417)	$609,839
Non-acquisition related intangible assets	12,000	(8,863)	3,137	13,368	(10,228)	3,140
Total developed technology and other intangible assets	$1,033,244	$(303,886)	729,358	$ 849,624	$(236,645)	$612,979
In-process research and development	175,203	—	175,203	176,216	—	176,216
Total intangible assets	$1,208,447	$(303,886)	$904,561	$1,025,840	$(236,645)	$789,195

(a) Included in the intangible assets are in-process research and development ("IPR&D") projects acquired as part of the Spansion Merger and the acquisition of the IoT business, that had not attained technological feasibility and commercial production. IPR&D assets are accounted for initially as indefinite-lived intangible assets until the completion the associated research and development efforts. Upon completion, the carrying value of every related intangible asset will be amortized over the remaining estimated life of the asset beginning in the period in which the project is completed.

NOTE 4. INTANGIBLE ASSETS (Continued)

The below table presents details of the IPR&D assets as of January 1, 2017:

	(in thousands)
As of January 3, 2016	$176,216
Intangibles acquired as part of IoT business (Note 2)	88,900
Technological feasibility achieved	(55,969)
Projects impaired	(33,944)
As of January 1, 2017	$175,203

During fiscal 2016, the Company recognized a $33.9 million impairment charge related to two IPR&D projects that were cancelled due to changes in the Company's product portfolio strategy. The impairment charges are included in the "Impairment of acquisition-related intangible assets" line in the Consolidated Statements of Operations.

As of January 1, 2017, the estimated future amortization expense of intangible assets including IPR&D was as follows:

Fiscal Year	(In thousands)
2017	$188,211
2018	182,462
2019	175,234
2020	115,058
2021 and future	68,393
Total future amortization expense	$729,358

NOTE 5. ASSETS HELD FOR SALE

In the third quarter of fiscal 2016, the Company committed to a plan to sell its wafer manufacturing facility located in Bloomington, Minnesota, as well as a building in Austin, Texas.

The carrying value of these assets held for sale as of January 1, 2017 reflects the lower of carrying value or fair value, net of estimated costs to sell the assets. The Company performed an analysis and estimated the fair value of the assets, less estimated selling costs, and determined the fair value was lower than the carrying value of the assets. As a result, based on this analysis the Company recorded an impairment charge of $37.2 million during fiscal 2016 to write these assets down to their estimated fair value, less selling costs.

On March 1, 2017, the Company completed the sale of its wafer fabrication facility in Minnesota. See Note 22 of the Notes to the Consolidated Financial Statements.

The sale of building in Austin, Texas, is expected to be completed in fiscal 2017.

NOTE 6. INVESTMENT IN EQUITY METHOD INVESTMENTS

Privately-held equity investments are accounted for under the equity method of accounting if the Company has an ownership interest of 20% or greater or if it has the ability to exercise significant influence over the operations of such companies. The Company's total investments in equity securities

NOTE 6. INVESTMENT IN EQUITY METHOD INVESTMENTS (Continued)

accounted for under the equity method of accounting are $188.7 million and $41.3 million as of January 1, 2017 and January 3, 2016, respectively.

	January 1, 2017	Ownership	January 3, 2016	Ownership
Deca Technologies Inc.	$134,327	52.2%	N/A	N/A
Enovix Corporation	54,360	46.6%	41,330	38.7%
Equity method investments	$188,687		$41,330	

The Company's investments are periodically reviewed for other-than-temporary declines in fair value by considering available evidence, including general market conditions, financial condition, pricing in recent rounds of financing, if any, earnings and cash flow forecasts, recent operational performance and any other readily available market data.

Deca Technologies Inc.

On July 29, 2016, Deca Technologies Inc. ("Deca"), a majority owned subsidiary of the Company entered into a share purchase agreement (the "Purchase Agreement"), whereby certain third-party investors purchased 41.1% of the shares outstanding at the said date for an aggregate consideration of approximately $111.4 million. Concurrently, Deca repurchased certain of its preferred shares from Cypress.

After giving effect to the above transactions, the Company's ownership in Deca was reduced to 52.2% as of July 29, 2016. As a consequence of the substantive rights afforded to third party new investors in the Purchase Agreement, including, among other things, participation on the Board of Directors of Deca, the approval of operating plans, approval of indebtedness, the Company determined that it no longer has the power to direct the activities of Deca that most significantly impact Deca's economic performance. However, since the Company continues to have significant influence over Deca's financial and operating policies, effective July 29, 2016, the investment in Deca is being accounted for as an equity method investment and is no longer a consolidated subsidiary. The carrying value of this equity method investment as of July 29, 2016 was determined based on the fair value of the equity in Deca, which was estimated to be $142.5 million. This represents the Company's remaining investment in Deca immediately following the investments by the third-party investors. As a result of the change in the method of accounting for the Company's investment in Deca from consolidation to the equity method of accounting, the net carrying value of the assets and liabilities related to Deca, and the adjustments related to the recognition of the initial fair value of the equity method investment

NOTE 6. INVESTMENT IN EQUITY METHOD INVESTMENTS (Continued)

resulted in a gain of $112.8 million which has been reflected as "Gain related to investment in Deca Technologies Inc." in the Consolidated Statements of Operations and was calculated as follows:

	(in thousands)
Consideration received	
Cash proceeds received for sale of shares in Deca	20,627
Add:	
Fair value of retained equity method investment	142,508
Carrying amount of non-controlling interest	(6,838)
	156,297
Less:	
Carrying amount of net assets of Deca at July 29, 2016	(43,523)
Gain related to investment in Deca	112,774

The Company held 52.5% of Deca's outstanding voting shares as of January 1, 2017 and the carrying value of the investments was $134.3 million on the Company's Consolidated Balance Sheet as of January 1, 2017. The Company recorded $8.2 million in share in net loss of equity method investee relating to Deca for the period from July 29, 2016 to January 1, 2017.

Enovix Corporation

During fiscal 2016, the Company invested an additional $23.0 million in Enovix Corporation ("Enovix"), which increased the Company's cumulative total investment to $79.5 million as of January 1, 2017. The carrying value of the investment in Enovix was $54.4 million and $41.3 million as of January 1, 2017 and January 3, 2016 respectively. The Company recorded $9.4 million and $7.1 million in share of net loss of equity method relating to Enovix for the year ended January 1, 2017 and January 3, 2016 respectively. The Company held 46.6% and 38.7% of this investee's voting shares as of January 1, 2017 and January 3, 2016 respectively.

NOTE 7. FAIR VALUE MEASUREMENTS

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of January 1, 2017 and January 3, 2016:

	As of January 1, 2017			As of January 3, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(In thousands)					
Financial Assets						
Reported as cash equivalents:						
Money market funds	$ 287	$ —	$ 287	$ 119	$ —	$ 119
Total cash equivalents	287	—	287	119	—	119
Reported as short-term investments:						
Certificates of deposit	—	972	972	—	871	871
Total short-term investments	—	972	972	—	871	871
Reported as long-term investments:						
Marketable equity securities	—	—	—	6,516	—	6,516
Total long-term investments	—	—	—	6,516	—	6,516
Employee deferred compensation plan assets:						
Cash equivalents	3,809	—	3,809	3,333	—	3,333
Mutual funds	22,658	—	22,658	22,023	—	22,023
Equity securities	11,974	—	11,974	8,624	—	8,624
Fixed income	4,088	—	4,088	3,227	—	3,227
Stable Value Funds	—	3,045	3,045	—	4,042	4,042
Total employee deferred compensation plan assets	42,529	3,045	45,574	37,207	4,042	41,249
Foreign Exchange Forward Contracts	—	6,605	6,605	—	983	983
Total financial assets	$42,816	$10,622	$53,438	$43,842	$ 5,896	$49,738
Financial Liabilities						
Foreign Exchange Forward Contracts	—	15,582	15,582	—	1,382	1,382
Employee deferred compensation plan liability	—	46,359	46,359	—	41,457	41,457
Total financial liabilities	$ —	$61,941	$61,941	$ —	$42,839	$42,839

Fair Value of Financial Instruments:

Fair value 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. Our financial assets and financial liabilities that require recognition under the guidance generally include available-for-sale investments, employee deferred compensation plan and foreign currency derivatives. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. As such, fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1—includes instruments for which quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. The Company's financial assets utilizing Level 1 inputs include U.S. treasuries, money market funds, marketable equity securities and our employee deferred compensation plan assets.
- Level 2—includes instruments for which the valuations are based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities. The Company's Level 2 instruments include certain U.S. government securities, commercial paper, corporate notes and bonds and our employee deferred compensation plan liabilities. Foreign currency forward contracts are classified as Level 2 because the valuation inputs are based on observable market data of similar instruments. The Company principally executes its foreign currency contracts in the retail market in an over-the-counter environment with a relatively high level of price transparency. The market participants and the Company's counterparties are large money center banks and regional banks. The valuation inputs for the Company's foreign currency contracts are based on observable market data from public data sources (specifically, forward points, LIBOR rates, volatilities and credit default rates at commonly quoted intervals) and do not involve management judgment.
- Level 3—includes instruments for which the valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As of January 1, 2017 and January 3, 2016, the Company did not own any financial assets utilizing Level 3 inputs.

The Company determines the basis of the cost of a security sold or the amount reclassified out of accumulated other comprehensive income (loss) into earnings using the specific identification method.

There were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies during fiscal 2016 and 2015.

There were no unrealized gains or losses on available-for-sale securities as of 2016 or 2015. Realized gains and realized losses from sales of available-for-sale in fiscal 2016, 2015 and 2014 were not material.

As of January 1, 2017, the contractual maturities of the Company's available-for-sale investments and certificates of deposit were less than a year.

Assets Measured at Fair Value on a Nonrecurring Basis

Certain of the Company's assets, including intangible assets, goodwill and cost-method investments, are measured at fair value on a nonrecurring basis if impairment is indicated.

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

As of January 1, 2017, the carrying value of the Company's senior secured revolving line of credit was $332.0 million (See Note 14). The carrying value of the Company's Credit Facility approximates its fair value since it bears an interest rate that is comparable to rates on similar credit facilities and is determined using Level 2 inputs.

The Company's 2.00% Senior Exchangeable Notes assumed as part of the Merger is traded in the market and is categorized as Level 2. The carrying value and the estimated fair value of the debt portion of the Notes as of January 1, 2017 is $135.4 million and $326.0 million respectively. See Note 14 of the Notes to the Consolidated Financial Statements for further details.

The Company's 4.50% Senior Convertible Notes are traded in the secondary market and its fair value is determined using Level 2 inputs. The carrying value and the estimated fair value of the debt portion of the said Notes as of January 1, 2017, were $236.5 million and $324.0 million, respectively. See Note 14 of the Notes to the Consolidated Financial Statements for further details.

NOTE 8. BALANCE SHEET COMPONENTS

Accounts Receivable, net

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Accounts receivable, gross	$338,061	$295,803
Allowances for doubtful accounts receivable and sales returns	(5,024)	(3,067)
Accounts receivable, net	$333,037	$292,736

Inventories

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Raw materials	$ 15,525	$ 13,516
Work-in-process	208,525	192,245
Finished goods	63,726	37,834
Total inventories	$287,776	$243,595

NOTE 8. BALANCE SHEET COMPONENTS (Continued)

Other Current Assets

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Prepaid tooling	$ 11,768	$19,379
Restricted cash relating to pension plan, current (see Note 18)	4,206	3,730
Advance to suppliers	16,549	10,683
Prepaid royalty and licenses	17,769	14,281
Derivative asset	6,605	966
Value added tax receivable	11,625	12,493
Receivable from sale of TrueTouch®Mobile business	10,000	—
Other current assets	43,640	26,219
Total other current assets	$122,162	$87,751

Property, Plant and Equipment, Net

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Land	$ 29,844	$ 37,819
Equipment	493,498	1,191,469
Buildings, building and leasehold improvements	175,589	314,017
Construction in progress	36,066	28,050
Furniture and fixtures	6,728	12,946
Total property, plant and equipment, gross	741,725	1,584,301
Less: accumulated depreciation and amortization	(444,459)	(1,159,298)
Total property, plant and equipment, net	$ 297,266	$ 425,003

NOTE 8. BALANCE SHEET COMPONENTS (Continued)

Other Long-term Assets

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Employee deferred compensation plan	$ 45,574	$ 41,249
Investments in cost method equity securities	13,331	9,184
Deferred tax assets	4,463	4,080
Long-term license	14,498	24,079
Restricted cash relating to pension plan, non-current (see Note 18)	—	3,462
Long-term receivable from sale of TrueTouch ® Mobile business	—	10,000
Advances to suppliers	25,207	26,237
Other assets	44,869	40,788
Total other long-term assets	$147,942	$159,079

Other Current Liabilities

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Employee deferred compensation plan	$ 46,359	$ 41,457
Restructuring accrual—current portion (see Note 10)	24,029	7,270
Deferred Revenue on sale of TrueTouch® mobile business	—	15,295
Rebate reserve	2,320	7,944
Derivative liability	15,582	1,283
Other current liabilities	92,008	81,727
Total other current liabilities	$180,298	$154,976

Other Long-Term Liabilities

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Long-term pension liabilities	$ 6,378	$ 8,712
Restructuring accrual—non-current portion (see Note 10)	11,294	14,217
Asset retirement obligation	5,067	2,783
Other long-term liabilities	14,010	12,072
Total other long-term liabilities	$36,749	$37,784

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION

The Company's equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests.

The Company currently has the following employee stock plans:

1999 Stock Option Plan ("1999 Plan"):

The 1999 Plan expired in March 2009. There are currently no shares available for grant under the 1999 Plan. Under the 1999 Plan 1.5 million shares are issued and outstanding. Any outstanding shares cancelled or forfeited under the 1999 Plan will not be available for any future grants since the 1999 Plan expired.

2013 Stock Option Plan ("2013 Plan"):

At the 2013 Annual Shareholders Meeting, the Company's shareholders approved the extension of the 1994 Stock Plan to January 15, 2024 and renamed the plan as the 2013 Stock Plan. The 2013 Plan provides for (1) the discretionary granting of Options, Stock Appreciation Rights ("SARs"), Restricted Stock Awards ("RSAs") or Restricted Stock Units ("RSUs") to Employees, Consultants and Outside Directors, which Options may be either Incentive Stock Options (for Employees only) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant; and (2) the grant of Nonstatutory Stock Options, SARs, Restricted Stock or RSUs to Outside Directors pursuant to an automatic, non-discretionary formula. Options or awards granted under the 2013 Stock Plan generally expire over terms not exceeding eight years from the date of grant, subject to earlier termination upon the cessation of employment or service of the recipients. The maximum aggregate number of shares authorized for issuance under the 2013 Stock Plan is 145.2 million shares. As of January 1, 2017, 19.3 million options or 10.2 million RSUs and RSAs were available for grant under the 2013 Stock Plan.

2010 Equity Incentive Award Plan ("2010 Plan")

In connection with the Company's Merger with Spansion, it assumed their 2010 Plan, as amended, which reserves a total of 10.1 million shares of common stock for issuance under stock options, stock appreciation rights, restricted stock units, restricted stock, performance awards, stock payments, dividend equivalents and deferred stock to its employees, consultants and non-employee members of its Board of Directors. The 2010 Plan provides that incentive stock options may only be granted to employees of the Company or its subsidiaries. All stock options expire if not exercised by the seventh anniversary of the grant date. Annual RSU awards granted generally vest over a period of two to four years. Options granted become exercisable in full or in installments pursuant to the terms of each agreement evidencing options granted. The exercise of stock options and issuance of restricted stock and restricted stock units is satisfied by issuing authorized common stock or treasury stock. Shares that are subject to or underlie awards that expire or for any reason are cancelled, terminated or forfeited, or fail to vest will again be available for grant under the 2010 Plan. Grants from this plan are limited to employees who joined Cypress as part of the Merger and grants to new Cypress employees. As of January 1, 2017, 4.9 million shares of stock options or RSUs and RSAs were available for grant under the 2010 Plan.

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

2012 Incentive Award Plan ("2012 Plan"):

In connection with the Company's acquisition of Ramtron in 2012, it assumed their 2012 Plan, as amended, which reserves a total of 1.2 million shares of common stock for issuance under stock option or restricted stock grants. The exercise price of all non-qualified stock options must be no less than 100% of the fair market value on the effective date of the grant under the 2012 Plan, and the maximum term of each grant is seven years. The 2012 Plan permits the issuance of incentive stock options, the issuance of restricted stock, and other types of awards. Restricted stock grants generally vest five years from the date of grant. Options granted become exercisable in full or in installments pursuant to the terms of each agreement evidencing options granted. The exercise of stock options and issuance of restricted stock and restricted stock units is satisfied by issuing authorized common stock or treasury stock. Grants from this plan are limited to employees who joined Cypress as part of the Ramtron acquisition and grants to new Cypress employees. As of January 1, 2017, 14.6 thousand shares of stock options or 9.6 thousand RSUs and RSAs were available for grant under the 2012 Plan.

Employee Stock Purchase Plan ("ESPP") :

At the 2013 Annual Shareholders Meeting, the Company's shareholders approved an extension of the Company's Employee Stock Purchase Plan ("ESPP Plan") to May 10, 2023. The Company's amended and restated ESPP allows eligible employees to purchase shares of our common stock through payroll deductions. The ESPP contains consecutive 18 months offering periods composed of three six months exercise periods. The shares can be purchased at the lower of 85% of the fair market value of the common stock at the date of commencement of the offering period or at the last day of each six -month exercise period. Purchases are limited to 10% of an employee's eligible compensation, subject to a maximum annual employee contribution limit of $21,250. As of January 1, 2017 2.6 million shares were available for future issuance under the ESPP.

Stock-Based Compensation

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

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
Cost of revenues	$ 21,366	$16,459	$13,209
Research and development	41,528	25,719	16,187
Selling, general and administrative	42,374	51,349	20,774
Total stock-based compensation expense	$105,268	$93,527	$50,170

As stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been adjusted for estimated forfeitures. The accounting guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

Aggregate cash proceeds from the issuance of shares under the employee stock plans were $43.9 million, $52.9 million and $32.0 million for fiscal 2016, fiscal 2015 and 2014, respectively. No income tax benefit was realized from stock option exercises for fiscal 2016, 2015 and 2014. As of January 1, 2017 and January 3, 2016 stock-based compensation capitalized in inventories totaled $4.6 million and $4.3 million, respectively.

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

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
Stock options	$ 700	$ 1,920	$ 4,717
Restricted stock units and restricted stock awards	81,905	74,897	37,837
ESPP	22,663	16,710	7,616
Total stock-based compensation expense	$105,268	$93,527	$50,170

The following table summarizes the unrecognized stock-based compensation balance, net of estimated forfeitures, by type of awards as of January 1, 2017:

(In thousands)		Weighted-Average Amortization Period
		(In years)
Stock options	$ 781	0.83
Restricted stock units and restricted stock awards	76,001	1.21
ESPP	5,671	0.46
Total unrecognized stock-based compensation balance, net of estimated forfeitures	$82,453	1.15

During the second quarter of fiscal 2016, the Company, as part of the severance agreement executed with Dr. T.J. Rodgers, accelerated the vesting of the PSU's previously granted and modified the vesting conditions such that 100% of such awards effective date of his termination which was April 28, 2016. During the third quarter of fiscal 2016, as part of the severance agreements executed with two other executives, the Company accelerated vesting of options, RSU's and PSU's previously granted and modified the vesting conditions. Included in the stock-based compensation expense for the year ended January 1, 2017 is an amount of $4.3 million related to the impact of the said modifications.

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

Valuation Assumptions

The Company estimates the fair value of its stock-based equity awards using the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model were as follows:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
Stock Option Plans:			
Expected life	—	—	4.4 - 5.7 years
Volatility	—	—	39.7% - 41.1%
Risk-free interest rate	—	—	0.26% - 1.75%
Dividend yield	—	—	4.2% - 4.4%
ESPP:			
Expected life	0.5 - 1.5 years	0.5 - 1.5 years	0.5 - 1.5 years
Volatility	36.9% - 38.5%	35.9% - 46.6%	31.0% - 36.1%
Risk-free interest rate	0.37% - 0.61%	0.09% - 0.86%	0.03% - 0.35%
Dividend yield	4.1%	4.5% - 5.2%	4.2% - 4.4%

Expected life: Expected life is based on historical exercise patterns, giving consideration to the contractual terms of the awards and vesting schedules. In addition, employees who display similar historical exercise behavior are grouped separately into two classes (executive officers and other employees) in determining the expected life.

Volatility: The Company determined that implied volatility of publicly traded call options and quotes from option traders on its common stock is more reflective of market conditions and, therefore, can reasonably be a better indicator of expected volatility than historical volatility. Therefore, volatility is based on a blend of historical volatility of the Company's common stock and implied volatility.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

Dividend yield: The expected dividend is based on the Company's history and expected dividend payouts.

Employee Equity Award Activities

As of January 1, 2017, 24.1 million stock options, or 15.1 million RSUs/PSUs, were available for grant under the 2013 Stock Plan, the 2010 Equity Incentive Award Plan (formerly the Spansion 2010 Equity Incentive Award Plan) and the 2012 Incentive Award Plan (formerly the Ramtron Plan).

Stock Options:

As a part of the Merger, Cypress assumed all outstanding Spansion options and these options were converted into options to purchase Cypress common stock at the agreed upon conversion ratio. The exercise price per share for each assumed Spansion option is equal to exercise price per share of Spansion option divided by 2.457.

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

The following table summarizes the Company's stock option activities:

	Year Ended					
	January 1, 2017		January 3, 2016		December 28, 2014	
	Shares	Weighted-Average Exercise Price per Share	Shares	Weighted-Average Exercise Price per Share	Shares	Weighted-Average Exercise Price per Share
	(In thousands, except per-share amounts)					
Options outstanding, beginning of year	16,840	$ 7.99	14,463	$ 9.24	19,060	$ 8.33
Options assumed as a part of the Merger	—	$ —	8,976	$12.86	—	$ —
Granted	—	$ —	—	$ —	522	$10.24
Exercised	(8,255)	$ 5.03	(5,391)	$ 5.71	(4,027)	$ 4.47
Forfeited or expired	(638)	$12.54	(1,208)	$12.75	(1,092)	$11.59
Options outstanding, end of year	7,947	$10.70	16,840	$ 7.99	14,463	$ 9.24
Options exercisable, end of year	6,736	$10.62	14,366	$ 7.40	9,787	$ 8.05

The weighted-average grant-date fair value was $2.22 per share for options granted in fiscal 2014. The Company did not grant any new stock options during fiscal 2015 and fiscal 2016.

The aggregate intrinsic value of the options outstanding and options exercisable as of January 1, 2017 was $12.9 and $12.5 million respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value which would have been received by the option holders had all option holders exercised their options as of January 1, 2017 and does not include substantial tax payments.

The aggregate intrinsic value of the options outstanding and options exercisable as of January 3, 2016 was $48.1 million and $47.9 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value which would have been received by the option holders had all option holders exercised their options as of January 3, 2016 and does not include substantial tax payments.

The aggregate pre-tax intrinsic value of option exercises, which represents the difference between the exercise price and the value of Cypress common stock at the time of exercise, was $46.0 million in fiscal 2016, $41.8 million in fiscal 2015 and $26.4 million in fiscal 2014.

The aggregate grant date fair value of the options which vested in fiscal 2016, 2015, and 2014 was $3.5 million, $5.6 million and $6.9 million, respectively.

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about options outstanding and exercisable as of January 1, 2017:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price per Share	Shares	Weighted-Average Exercise Price per Share
		(In years)			
$2.72 - $6.17	1,336,223	1.69	$ 5.42	1,324,572	$ 5.42
$6.22 - $8.79	798,714	1.14	$ 7.07	784,191	$ 7.04
$8.85 - $10.76	818,312	3.67	$10.11	587,081	$10.12
$10.79 - $10.92	69,331	4.48	$10.85	48,054	$10.84
$11.27 - $11.27	1,569,893	3.93	$11.27	1,254,685	$11.27
$11.32 - $11.40	144,953	2.09	$11.33	137,317	$11.33
$11.55 - $11.55	1,832,550	4.29	$11.55	1,297,262	$11.55
$11.58 - $17.77	949,361	2.38	$15.04	875,539	$15.24
$18.86 - $22.88	418,175	2.64	$19.42	417,587	$19.42
$23.23 - $23.23	9,460	2.52	$23.23	9,460	$23.23
	7,946,972	3.05	$10.70	6,735,748	$10.62

The total number of exercisable in-the-money options was 4.1 million shares as of January 1, 2017.

Restricted Stock Units, Performance-Based Restricted Stock Units and Restricted Stock Awards:

The following table summarizes the Company's restricted stock unit and restricted stock award activities:

	Year Ended					
	January 1, 2017		January 3, 2016		December 28, 2014	
	Shares	Weighted-Average Grant Date Fair Value per Share	Shares	Weighted-Average Grant Date Fair Value per Share	Shares	Weighted-Average Grant Date Fair Value per Share
	(In thousands, except per-share amounts)					
Non-vested, beginning of year	11,053	$13.43	7,838	$10.98	8,652	$11.97
Granted and assumed	11,318	$11.19	10,172	$14.78	6,344	$10.16
Released	(5,890)	$13.36	(3,594)	$ 5.60	(4,363)	$11.58
Forfeited	(2,701)	$12.36	(3,363)	$11.66	(2,795)	$11.21
Non-vested, end of year	13,780	$11.83	11,053	$13.43	7,838	$10.98

Of the total awards granted in 2016, 1.2 million awards were performance-based units granted for the performance-based restricted stock program (PARS) for 2016, 0.9 million awards were service-based units granted under the 2016 PARS program, which employees are eligible to earn 100% if they remain an employee of the Company through specified dates between fiscal 2016 and 2018, and 0.1 million awards were granted to individuals subject to the achievement of specific milestones. Of the total

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

awards granted and assumed in 2015, 3.3 million awards were performance-based units granted for the performance-based restricted stock program (PARS) for 2015, 1.6 million awards were service-based units granted under the 2015 PARS program, which employees are eligible to earn 100% if they remain an employee of the Company through specified dates between fiscal 2016 and 2018, and 23 thousand awards were granted to individuals subject to the achievement of specific milestones. Of the total awards granted in 2014, 2.6 million awards were performance-based units granted for the 2014 PARS program, 0.6 million awards were service-based units granted under the 2014 PARS program and 0.2 million awards were granted to individuals subject to the achievement of specific milestones.

Of the total awards released in 2016, 0.2 million and 72 thousand shares awards were released for the performance-based units and service-based units, respectively granted under the 2016 PARS program, 1.9 million and 0.6 million awards were released for the performance-based units and service-based units, respectively granted under the 2015 PARS program, 0.1 million awards were released for the service-based units granted under the 2014 PARS program and 0.3 million shares were released to individuals who achieved the specific milestones set upon grant. Of the total awards released in 2015, 0.6 million and 0.5 million awards were released for the performance-based units and service-based units, respectively granted under the 2015 PARS program and 0.2 million shares were released to individuals who achieved the specific milestones set upon grant. Of the total awards released in 2014, 2.4 million awards were released for the performance-based units granted under the 2013 PARS program and 46 thousand shares were released to individuals who achieved the specific milestones set upon grant.

A portion of the non-vested balance as of January 1, 2017 included 3.7 million units for the PARS programs. These PARS were issued to certain senior-level employees and can be earned ratably over a period of one to three years, subject to the achievement of certain milestones that were set by the Compensation Committee in advance. Any share not earned due to not achieving the full performance milestone are forfeited and returned to the pool.

On April 1, 2016, the Compensation Committee of the Company approved the issuance of 0.9 million awards of performance-based restricted stock units to certain of the Company's executive officers. Approximately 57% of the 2016 grants are in the form of PSUs which vest based on achievement of two performance milestones: product development and production milestones and Gross Margin goals—over the next two years. Such PSU grants will be capped at target levels if Cypress's total shareholder return (TSR) is negative, even if the Product Development/Production or Gross Margin performance milestones are achieved at above-target or maximum levels. The remaining 43% of the 2016 grants are in the form of RSUs which cliff vest based on continued service over two years.

The milestones for the 2016 PARS Program, as approved by the Compensation Committee included service condition and performance conditions linked to the Company's total shareholder return (TSR) relative to its peers, achievement of Spansion merger synergies, achievement of non-GAAP earnings per share and margin and certain product development milestones.

The PSUs and RSUs under Cypress's 2015 PARS Program were granted by the Company in the first and second quarters of fiscal 2015 with an extended measurement period of three years. These awards were issued to certain senior-level employees and the PSU portion of the award can be earned over a period of one to three years, subject to the achievement of certain performance milestones that were set by the Compensation Committee in advance. Each participating employee is given a target

NOTE 9. EMPLOYEE STOCK PLANS AND STOCK-BASED COMPENSATION (Continued)

number of PSUs under each milestone, which can be earned independent of the outcomes of other milestones. Any portion of PSUs not earned due to not achieving the performance milestone is forfeited and returned to the pool. The following milestones for the 2015 PSUs were approved by the Compensation Committee:

The milestones for the 2015 PARS Program, as approved by the Compensation Committee included service condition and performance conditions related to the Company's TSR relative to its peers, achievement of Spansion merger synergies and achievement of non-GAAP earnings per share.

The three milestones for the 2014 PARS Program, as approved by the Compensation Committee, included service condition, performance condition related to the achievement of a specific revenue amount, and achievement of annual goals or CSFs of our Chief Executive Officer.

ESPP:

During fiscal 2016, 2015 and 2014, the Company issued 1.2 million, 2.6 million and 1.5 million shares under its ESPP with weighted-average price of $8.34, $8.69 and $8.93 per share, respectively.

NOTE 10. RESTRUCTURING

2016 Restructuring Plan

In September 2016, the Company began implementation of a reduction in workforce ("2016 Plan") which is expected to result in elimination of approximately 430 positions worldwide across various functions. The personnel costs related to the 2016 plan during fiscal 2016 were $26.3 million. The Company expects that the cash costs incurred under the 2016 plan will be paid out through fiscal 2017.

Spansion Integration-Related Restructuring Plan

In March 2015, the Company began the implementation of planned cost reduction and restructuring activities in connection with the Merger. As part of this plan, the Company planned to eliminate approximately 1,000 positions from the combined workforce across all business and functional areas on a global basis. The restructuring charge of $90.1 million recorded for the fiscal year ended January 3, 2016 primarily consists of severance costs, lease termination costs and impairment of property, plant and equipment. The lease termination costs include approximately $18 million relating to the buildings Spansion had leased prior to the Merger, which the Company decided not to occupy in the post-merger period. The initial term of the lease commenced on January 1, 2015 and will expire on December 31, 2026.

During fiscal 2016, a release of previously estimated personnel related liability of $0.1 million was recorded.

NOTE 10. RESTRUCTURING (Continued)

The following table summarizes the restructuring charges recorded in Consolidated Statements of Operations:

	Year Ended (In thousands)		
	January 1, 2017	January 3, 2016	December 28, 2014
Personnel Costs	$26,131	58,972	$ (357)
Lease termination costs and other related charges	—	18,016	—
Impairment of property, plant and equipment	—	12,531	(579)
Other	—	565	(244)
Total restructuring and other charges	$26,131	$90,084	$(1,180)

Roll-forward of the restructuring reserves

Restructuring activity under the Company's various restructuring plan was as follows:

	Year Ended January 1, 2017 (In thousands)			
	Spansion-Integration plan	2016 Plan	2012/ 2013 Plan	Total
Accrued restructuring balance as of December 28, 2014	—	—	1,177	$ 1,177
Provision	81,041	—	—	$ 81,041
Cash payments and other adjustments	(59,554)	—	(1,177)	$(60,731)
Accrued restructuring balance as of January 3, 2016	21,487	—	—	21,487
Provision	(130)	26,261	—	26,131
Cash payments and other adjustments	(7,138)	(5,157)	—	(12,295)
Accrued restructuring balance as of January 1, 2017	$ 14,219	$21,104	$ —	$ 35,323
Current portion of the restructuring accrual	$ 2,925	$21,104	$ —	$ 24,029
Non-current portion of the restructuring accrual	$ 11,294	$ —	$ —	$ 11,294

The provision for restructuring expense at the end of January 3, 2016 does not include the charge to write off certain leasehold improvements from the first quarter of 2015, which totaled $9.0 million.

The Company anticipates that the remaining restructuring accrual balance will be paid out in cash through the second quarter of fiscal 2017 for employee terminations and over the remaining lease term through 2026 for the excess lease obligation related to the buildings Spansion had leased prior to the Merger, which the Company decided not to occupy in the post-Merger period.

NOTE 11. FOREIGN CURRENCY DERIVATIVES

The Company enters into multiple foreign exchange forward contracts to hedge certain operational exposures resulting from movements in Japanese yen and euro exchange rates. The Company does not enter into derivative securities for speculative purposes. The Company's hedging policy is designed to mitigate the impact of foreign currency exchange rate movements on its operating results. Some foreign currency forward contracts are considered to be economic hedges that are not designated as hedging instruments while others are designated as cash flow hedges. Whether designated or undesignated, these forward contracts protect the Company against the variability of forecasted foreign currency cash flows resulting from revenues, expenses and net asset or liability positions designated in currencies other than the U.S. dollar. The maximum original duration of any contract allowable under the Company's hedging policy is thirteen months.

Cash Flow Hedges

The Company enters into cash flow hedges to protect non-functional currency revenues, inventory purchases and certain other operational expenses against variability in cash flows due to foreign currency fluctuations. The Company's foreign currency forward contracts that were designated as cash flow hedges have maturities between three and nine months. All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions at the inception of the hedge. The Company recognizes derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measures them at fair value on a monthly basis. The Company records changes in the intrinsic value of its cash flow hedges in accumulated other comprehensive income on the Consolidated Balance Sheets, until the forecasted transaction occurs. Interest charges or "forward points" on the forward contracts are excluded from the assessment of hedge effectiveness and are recorded in other income (expense), net in the Consolidated Statements of Operations. When the forecasted transaction occurs, the Company reclassifies the related gain or loss on the cash flow hedge to revenue or costs, depending on the risk hedged. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company will reclassify the gain or loss on the related cash flow hedge from accumulated other comprehensive income to other income (expense), net in its Consolidated Statements of Operations at that time.

The Company evaluates hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and records any ineffective portion of the hedge in other income (expense), net in its Consolidated Statements of Operations.

At January 1, 2017, the Company had outstanding forward contracts to buy ¥7,108.0 million for $69.3 million.

Non-designated hedges

Total notional amounts of outstanding contracts were as summarized below. The duration or each contract is approximately thirty days:

Buy / Sell	January 1, 2017	January 3, 2016
	(in millions)	
US dollar / Japanese Yen	—	$19.4 / ¥2,333
US dollar / EUR	$25.0 / €23.6	$7.3 / €6.8
Japanese Yen / US dollar	¥10,129 / $87.9	—

NOTE 11. FOREIGN CURRENCY DERIVATIVES (Continued)

The gross fair values of derivative instruments on the Consolidated Balance Sheets as of January 1, 2017 and January 3, 2016 were as follows:

	January 1, 2017		January 3, 2016	
Balance Sheet location	Derivatives designated as hedging instruments	Derivatives not designated as hedging instruments	Derivatives designated as hedging instruments	Derivatives not designated as hedging instruments
	(in thousands)			
Other Current Assets				
Derivative Asset	$ 6,468	$ 137	$ 966	$17
Other Current Liabilities				
Derivative Liability	$14,391	$1,191	$1,283	$99

NOTE 12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Accumulated other comprehensive loss were as follows:

	Accumulated net unrealized losses on available-for-sale investments	Cumulative translation adjustment and other	Unrecognized Gain on the Defined Benefit Plan	Accumulated other comprehensive loss (income)
	(in thousands)			
Balance as of December 28, 2014	$ (52)	$ 6	$ —	$ (46)
Other comprehensive income (loss) before reclassification	(1,623)	—	—	(1,623)
Amounts reclassified to other income (expense), net	$ 1,416	$—	$ —	$ 1,416
Net unrecognized gain on the Defined Benefit Plan	—	—	26	26
Balance as of January 3, 2016	(259)	6	26	(227)
Other comprehensive income (loss) before reclassification	(5,186)	—	—	(5,186)
Amounts reclassified to other income (expense), net	(2,184)	—	—	(2,184)
Net unrecognized gain (loss) on the Defined Benefit Plan	—	—	(1,214)	(1,214)
Balance as of January 1, 2017	**$(7,629)**	**$ 6**	**$(1,188)**	**$(8,811)**

NOTE 13. OTHER INCOME (EXPENSE), NET

The following table summarizes the components of "other income (expense), net," recorded in the Consolidated Statements of Operations:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
Interest income	$ 1,836	$ 885	$ 362
Changes in fair value of investments under the deferred compensation plan	2,326	(1,354)	3,014
Unrealized gain (loss) on marketable securities	325	(4,655)	(1,495)
Foreign currency exchange gains (losses), net	(4,251)	744	1,382
Gain (loss) on sale of investments	(265)	276	—
Other	342	335	40
Other income (expense), net	$ 313	$(3,769)	$ 3,303

NOTE 14. DEBT

Debt is comprised of the following:

	January 1, 2017	January 3, 2016
	(in thousands)	
Current portion of debt		
Capital lease obligations	$ 40	$ 6,603
Equipment loans	112	3,003
Term Loan A	7,500	5,000
Term Loan B	22,500	—
Current portion of long-term debt	30,152	14,606
Revolving credit facility and long-term portion of debt		
Senior Secured Credit facility	332,000	449,000
Term Loan A	84,838	92,228
Term Loan B	406,214	—
2.00% Senior Exchangeable Notes	135,401	131,845
4.50% Senior Exchangeable Notes	236,526	—
Capital lease obligations	—	586
Revolving credit facility and long-term debt	1,194,979	673,659
Total debt	$1,225,131	$688,265

4.50% Senior Exchangeable Notes

On June 23, 2016, the Company, issued at face value, $287.5 million of Senior Exchangeable Notes due in 2022 (the "Notes") in a private placement to qualified institutional buyers under Rule 144A of

NOTE 14. DEBT (Continued)

the Securities Act of 1933, as amended. The Notes are governed by an Indenture ("Indenture"), dated June 23, 2016, between the Company and U.S. Bank National Association, as Trustee. The Notes will mature on January 15, 2022, unless earlier repurchased or converted, and bear interest of 4.50% per year payable semi-annually in arrears on January 15 and July 15, commencing on January 15, 2017. The Notes may be due and payable immediately in certain events of default.

The Notes are exchangeable for an initial exchange rate of 74.1372 shares of common stock per $1,000 principal amount of the Notes (equivalent to an initial exchange price of approximately $13.49 per share) subject to adjustments for anti-dilutive issuances and make-whole adjustments upon a fundamental change. A fundamental change includes a change in control, delisting of the Company's stock and liquidation, consolidation or merger of the Company. Prior to October 15, 2021, the Notes will be exchangeable under certain specified circumstances as described in the Indenture. On or after October 15, 2021, until the close of business on the second scheduled trading day immediately preceding the maturity date, the Notes will be convertible in multiples of $1,000 principal amount regardless of the foregoing circumstances.

Upon conversion, the Company may pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. If the Company satisfies its conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of its common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a pre-defined conversion value.

It is the Company's intent that upon conversion, the Company would pay the holders of the Notes cash for an amount up to the aggregate principal the Notes. If the conversion value exceeds the principal amount, the Company intends to deliver shares of its common stock in respect to the remainder of its conversion obligation in excess of the aggregate principal amount ("conversion spread"). Accordingly, for the purposes of calculating diluted earnings per share, there would be no adjustment to the numerator in the net income per common share computation for the cash settled portion of the Notes, as that portion of the debt liability is expected to be settled in cash. The conversion spread will be included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

In accordance with ASC 470-20, Debt with Conversion and Other Options, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the estimated fair value of a similar liability that does not have an associated convertible feature. Such amount was based on the contractual cash flows discounted at an appropriate market rate for non-convertible debt at the date of issuance, which was determined to be 82.9% of the par value of the Notes or $238.3 million. The carrying amount of the equity component of $49.2 million representing the conversion option was determined by deducting the fair value of the liability component from the face value of the Convertible Notes as a whole. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is accreted to interest expense over the term of the Notes using the effective interest method. The equity component is not re-measured as long as it continues to meet the conditions for equity classification.

The Company incurred transaction costs of approximately $8.6 million relating to the issuance of the Notes. The transaction costs of $8.6 million include $7.9 million of financing fees paid to the initial purchasers of the Notes, and other estimated offering expenses payable by the Company. In accounting for these costs, the Company allocated the costs of the offering in proportion to the fair value of the

NOTE 14. DEBT (Continued)

debt and equity recognized in accordance with the accounting standards. The transaction costs allocated to the debt component of approximately $7.2 million and are being amortized as interest expense over the term of the Notes using the effective yield method. The transaction costs allocated to the equity component of approximately $1.5 million were recorded as a reduction of additional paid-in capital.

At the debt issuance date, the Convertible Notes, net of issuance costs, consisted of the following (in thousands):

	June 23, 2016
Liability component	
Principal	$238,338
Less: Issuance cost	(7,158)
Net carrying amount	$231,180
Equity component	
Allocated amount	$ 49,163
Less: Issuance cost	(1,477)
Net carrying amount	$ 47,686
Convertible Notes, net of issuance costs	$278,866

The following table includes total interest expense related to the Notes recognized during the year ended January 1, 2017 (in thousands):

	Year ended January 1, 2017
Contractual interest expense	$ 6,900
Amortization of debt issuance costs	700
Accretion of debt discount	4,646
Total	$12,246

The net liability component of the Notes as of January 1, 2017 is comprised of the following (in thousands):

	January 1, 2017
Net carrying amount at issuance date	$231,180
Amortization of debt issuance costs during the year	700
Accretion of debt discount during the year	4,646
	$236,526

NOTE 14. DEBT (Continued)

Capped Calls, 4.50% Senior Exchangeable Notes

In connection with the issuance of the Notes, the Company entered into capped call transactions with certain bank counterparties to reduce the risk of potential dilution of the Company's common stock upon the exchange of the Notes. The capped call transactions have a strike price of approximately $13.49 and a cap price of approximately $15.27, and are exercisable when and if the Notes are converted. If upon conversion of the Notes, the price of the Company's common stock is above the strike price of the capped calls, the counterparties will deliver shares of the Company's common stock and/or cash with an aggregate value approximately equal to the difference between the price of the Company's common stock at the conversion date (as defined, with a maximum price for purposes of this calculation equal to the cap price) and the strike price, multiplied by the number of shares of the Company's common stock related to the capped call transactions being exercised. The capped calls expire in January 2022. The Company paid $8.2 million for these capped calls which was recorded as a reduction of additional paid-in capital.

Senior Secured Revolving Credit Facility, Term Loan A, Term Loan B

On April 27, 2016, the Company amended and restated its existing senior secured revolving credit facility ("Credit Facility") of $540 million. The borrowings under the Credit Facility bear interest, at the Company's option, at an adjusted base rate plus a spread of 1.25%, or an adjusted LIBOR rate plus a spread of 2.25%. The borrowings under the Credit Facility are guaranteed by certain present and future wholly-owned material domestic subsidiaries of the Company (the "Guarantors") and are secured by a security interest in substantially all assets of the Company and the Guarantors. The financial covenants include the following conditions: 1) maximum total leverage ratio of 4.50x through October 2016, 4.25x until January 1, 2017, 4.00 x until April 2, 2017 and 3.75x thereafter, and 2) minimum fixed charge coverage ratio of 1.00x. The Company incurred financing costs of $2.6 million related to the Credit Facility which has been capitalized and recognized in other long-term assets on the Consolidated Balance Sheet. These costs will be amortized over the life of the Credit Facility and recorded in "Interest Expense" in the Consolidated Statement of Operations.

As per the terms of the Credit Facility, the Company entered into a Joinder Agreement on December 22, 2015 under which the Company borrowed an additional $100 million ("Term Loan A"). Term Loan A is subject to, at the Company's option, either an interest rate equal to (i) 3.25% over LIBOR or (ii) an interest rate equal to 2.25% over the greater of (x) the prime lending rate published by the Wall Street Journal, (y) the federal funds effective rate plus 0.50%, and (z) the LIBOR rate for a one month interest period plus 1%. The Company paid a 1.00% upfront fee in connection with the Term Loan A. Such Term Loan A is payable in quarterly installments equal to 1.25% per quarter for 2016, 1.875% per quarter for 2017 and 2018, and 2.50% per quarter thereafter, with the remaining outstanding principle amount due at final maturity on March 12, 2020. It may be voluntarily prepaid at the Company's option and is subject to mandatory prepayments equal to (i) 50% of excess cash flow, as defined in the agreement, (stepping down to 25% and 0% based on a decrease in total leverage ratio over time) at the end of each fiscal year, (ii) the net cash proceeds from certain asset sales (subject to certain reinvestment rights) and (iii) the proceeds from any debt issuances not otherwise permitted under the Credit Agreement. The Company incurred financing costs of $2.8 million to the lenders of Term Loan A which has been capitalized and recognized as a deduction of the Term Loan A balance in "Long-term revolving credit facility and long term debt" on the Consolidated Balance Sheet. These costs will be amortized over the life of Term Loan A.

NOTE 14. DEBT (Continued)

The Credit Facility, as amended, provides for a $450 million revolving credit facility and generally contains the same representations and warranties, covenants, and events of default that it contained prior to the effectiveness of the Amendment. The Amendment did not change the interest rate or maturity applicable to the Credit Facility and the Credit Facility remains guaranteed by certain present and future wholly-owned material domestic subsidiaries of the Company (the "Guarantors") and secured by a security interest in substantially all assets of the Company and the Guarantors.

On January 6, 2016, subsequent to fiscal 2015, the Company entered into an Incremental Revolving Joinder Agreement to its Credit Facility to increase the amount of revolving commitments under our Credit Facility by an additional $90 million. The total aggregate amount of revolving commitments under the Credit Facility starting January 6, 2016 is $540 million.

On July 5, 2016 the Company entered into a Joinder and Amendment Agreement with the guarantors party thereto, the initial incremental term loan lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent . The Joinder Agreement supplements the Company's existing Amended and Restated Credit and Guaranty Agreement, dated as of March 12, 2015, by and among the Company, the guarantors, the lenders, the Agent, and Morgan Stanley Bank, N.A., as issuing bank and others.

The Joinder and Amendment Agreement provides for the incurrence by the Company of an incremental term loan in an aggregate principal amount of $450.0 million ("Term Loan B"). The incurrence of Term Loan B is permitted as an incremental loan under the Credit Agreement and is subject to the terms of the Credit Agreement and to additional terms set forth in the Joinder and Amendment Agreement. Term Loan B will initially bear interest at (i) an adjusted LIBOR rate loan plus an applicable margin of 5.50% or (ii) an adjusted base rate loan plus an applicable margin of 4.50%. Following the delivery of the Compliance Certificate and the financial statements for the period ending the last day of the third Fiscal Quarter of 2016, Term Loan B shall bear interest, at the Company's option, at (i) an adjusted LIBOR rate plus an applicable margin of either 5.25% or 5.50%, or (ii) an adjusted base plus an applicable margin of either 4.25% or 4.50%, with the applicable margin in each case determined based on the Company's total net leverage ratio for the trailing twelve month period ended as of the last day of the Company's most recently ended fiscal quarter. The Company paid an upfront fee to the initial incremental lenders in an amount equal to 1.5% of the aggregate principal amount of the Incremental Term Loan funded. The Company is required to pay a prepayment premium of 1% of the principal amount prepaid if it prepays the Incremental Term Loan in certain circumstances prior to the date that is twelve months after the Closing Date. Term Loan B was fully funded on the Closing Date and matures on July 5, 2021.The Company incurred financing costs of $11.5 million to the lenders of Term Loan B which has been capitalized and recognized as a deduction of the Term Loan B balance in "Long-term revolving credit facility and long term debt" on the Consolidated Balance Sheet. These costs will be amortized over the life of Term Loan B and recorded in "Interest Expense" in the Consolidated Statement of Operations.

As January 1, 2017, $872.0 million aggregate principal amount of loans, including Term Loan A, Term Loan B and letters of credit are outstanding under the Credit Facility.

As of January 1, 2017, the Company was in compliance with all of the financial covenants under the Credit Facility.

NOTE 14. DEBT (Continued)

2.00% Senior Exchangeable Notes

Pursuant to the Merger, Cypress assumed Spansion's 2.00% Senior Exchangeable Notes ("Spansion Notes") on March 12, 2015. The Spansion Notes are governed by a Supplemental Indenture, dated March 12, 2015, between the Company, Spansion and Wells Fargo Bank, National Association, as Trustee. They are fully and unconditionally guaranteed on a senior unsecured basis by the Company. The Spansion Notes will mature on September 1, 2020, unless earlier repurchased or converted, and bear interest of 2.00% per year payable semi-annually in arrears on March 1 and September 1, commencing on March 1, 2014. The Spsansion Notes may be due and payable immediately in certain events of default.

As of January 1, 2017, the Spansion Notes are exchangeable for 192.12 shares of common stock per $1,000 principal amount of the Spansion Notes (equivalent to an exchange price of $5.21) subject to adjustments for dividends, anti-dilutive issuances and make-whole adjustments upon a fundamental change. A fundamental change includes a change in control, delisting of the Company's stock and liquidation, consolidation or merger of the Company. According to the Indenture, a change in control occurs when a person or group becomes the beneficial owner directly or indirectly, of more than 50% of the Company's common stock. In the case of a consolidation or merger, if the surviving entity continues to be listed, no change of control will be triggered. Prior to June 1, 2020, the Spansion Notes will be exchangeable under certain specified circumstances as described in the Indenture.

Upon conversion, the Company may pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of its common stock, at its election. If the Company satisfies its conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a pre-defined conversion value.

It is Company's intent that upon conversion, the Company would pay the holders of the Spansion Notes cash for an amount up to the aggregate principal the Spansion Notes. If the conversion value exceeds the principal amount, the Company intends to deliver shares of its common stock in respect to the remainder of its conversion obligation in excess of the aggregate principal amount ("conversion spread"). Accordingly, for the purposes of calculation of diluted earnings per share, there would be no adjustment to the numerator in the net income per common share computation for the cash settled portion of the Notes, as that portion of the debt liability is expected to be settled in cash. The conversion spread, will be included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

The following table presents the interest expense recognized on the Spansion Notes during the fiscal year ended January 1, 2017 and January 3, 2016:

	Year Ended	
	January 1, 2017	January 3, 2016
	(in thousands)	
Contractual interest expense at 2% per annum	$2,989	$2,441
Accretion of debt discount	3,556	2,700
Total	$6,545	$5,141

NOTE 14. DEBT (Continued)

The net carrying amount of liability component of the Spansion Notes as of January 1, 2017 consists of the following:

	(in thousands)
Principal amount	$149,990
Unamortized debt discount	(14,589)
Net carrying value	$135,401

Capped Calls, 2.00% Senior Exchangeable Notes

In connection with the Spansion Notes, Spansion had entered into capped call transactions in fiscal 2013 with certain bank counterparties to reduce the potential dilution to their common stock upon exchange of the Spansion Notes. The fair value of the capped call assumed as a part of the Merger was $25.3 million. In March 2015, the Company and the counterparties agreed to terminate and unwind the capped calls and the Company received a cash settlement of $25.3 million which has been recorded as a credit to additional paid-in-capital on the Consolidated Balance Sheet as of January 3, 2016.

Capital Leases and Equipment Loans

In 2011, the Company entered into capital lease agreements which allow it to borrow up to $35.0 million to finance the acquisition of certain manufacturing equipment. Assets purchased under all capital leases are included in “Property, plant and equipment, net” on the Company’s Consolidated Balance Sheet.

As of January 3, 2016, the gross value and net book value of manufacturing equipment purchased under these capital leases were $20.5 million and $11.9 million, respectively. As of January 1, 2017, the gross value and net book value of manufacturing equipment purchased under these capital leases were $1.8 million and $0.9 million, respectively. During the year ended January 1, 2017, the Company purchased previously leased manufacturing equipment having gross value and net book value of $18.8 million and $9.4 million, respectively.

In December 2011, the Company obtained equipment loans from a certain financial institution for an aggregate amount of $14.1 million. These loans are collateralized by certain of the Company’s manufacturing equipment and bear interest of 3.15% to 3.18% per annum and are payable in 60 equal installments which commenced in January 2012. The related master loan agreement includes a variety of standard covenants. All of the outstanding balance as of January 1, 2017 was recorded as part of “Other current liabilities”. At January 1, 2017 and January 3, 2016, the fair value of the equipment loans approximated the carrying value. The fair value was estimated using discounted cash flow analysis using relevant factors that might affect the fair value, such as present value factors and risk-free interest rates based on the U.S. Treasury yield curve. The balance of $0.1 million outstanding against these loans as of January 1, 2017 is payable within the first three months of fiscal 2017.

NOTE 14. DEBT (Continued)

Future Debt Payments

For each of the next five years and beyond, the scheduled maturities of the Company's debt including interest as of January 1, 2017, are as follows:

Fiscal Year	Term Loan A	Term Loan B	Senior Secured Credit Facility	2.00% Senior Exchangeable Notes	4.50% Senior Exchangeable Notes	Capital lease obligations and Equipment loans	Total
				(In thousands)			
2017	$ 13,131	$ 50,470	$ 10,026	$ 3,000	$ 13,908	$152	$ 90,687
2018	12,673	49,008	10,026	3,000	13,117	—	87,824
2019	14,657	50,335	10,026	3,000	13,117	—	91,135
2020	71,069	56,783	334,507	152,990	13,153	—	628,502
2021 and beyond	—	350,849	—	—	307,230	—	658,079
Total	$111,530	$557,445	$364,585	$161,990	$360,525	$152	$1,556,227

NOTE 15. EQUITY TRANSACTIONS

$450 million Stock Buyback Program:

On October 20, 2015, the Company's Board authorized a $450 million stock buyback program. In connection with the approval of the share repurchase plan, the share repurchase plan previously approved in September 2011 was terminated. The program allows the Company to purchase its common stock or enter into equity derivative transactions related to our common stock. The timing and actual amount expended with the new authorized funds will depend on a variety of factors including the market price of the Company's common stock, regulatory, legal, and contractual requirements, alternatives uses of cash, availability of on shore cash and other market factors. The program does not obligate the Company to repurchase any particular amount of common stock and may be modified or suspended at any time at the Company's discretion. From September 2011 through the termination of the program, the Company used $327.4 million from the program to repurchase 24.4 million shares at an average share price of $13.4. Under the new program authorized in October, 2015 through the end of fiscal 2016, the Company used $239.2 million to repurchase 29.5 million share at an average price of $8.11.

Yield Enhancement Program:

In fiscal 2009, the Audit Committee approved a yield enhancement strategy intended to improve the yield on the Company's available cash. As part of this program, the Audit Committee authorized the Company to enter into short-term yield enhanced structured agreements, typically with maturities of 90 days or less, correlated to the Company's stock price. Under the agreements the Company entered into to date, it pays a fixed sum of cash upon execution of an agreement in exchange for the financial institution's obligations to pay either a pre-determined amount of cash or shares of the Company's common stock depending on the closing market price of the Company's common stock on the expiration date of the agreement. Upon expiration of each agreement, if the closing market price of the Company's common stock is above the pre-determined price, the Company will have its cash

NOTE 15. EQUITY TRANSACTIONS (Continued)

investment returned plus a yield substantially above the yield currently available for short-term cash investments. If the closing market price is at or below the pre-determined price, the Company will receive the number of shares specified at the agreement's inception. As the outcome of these arrangements is based entirely on the Company's stock price and does not require the Company to deliver either shares or cash, other than the original investment, the entire transaction is recorded in equity.

The Company enters into a yield enhanced structured agreement based upon a comparison of the yields available in the financial markets for similar maturities against the expected yield to be realized per the structured agreement and the related risks associated with this type of arrangement. The Company believes the risk associated with these types of agreements is no different than alternative investments available to the Company with equivalent counterparty credit ratings. All counterparties to a yield enhancement program have a credit rating of at least Aa2 or A as rated by major independent rating agencies. For all such agreements that matured to date, the yields of the structured agreements were far superior to the yields available in the financial markets primarily due to the volatility of the Company's stock price and the pre-payment aspect of the agreements. The counterparty is willing to pay a premium over the yields available in the financial markets due to the structure of the agreement.

The Company had no activity related to yield enhanced structured agreements during fiscal 2016. The following table summarizes the activity of the Company's settled yield enhanced structured agreements during fiscal 2014 and 2015:

Periods	Aggregate Price Paid	Total Cash Proceeds Received Upon Maturity	Yield Realized	Total Number of Shares Received Upon Maturity	Average Price Paid per Share
	(in thousands)				
Fiscal 2015:					
Settled through cash proceeds	$28,966	$29,353	$387	—	$ —
Settled through issuance of common stock	9,601	—	—	1,000,000	9.6
Total for fiscal 2015	$38,567	$29,353	$387	1,000,000	9.6
Fiscal 2014:					
Settled through cash proceeds	$19,415	$19,733	$318	—	$ —
Total for fiscal 2014	$19,415	$19,733	$318	—	$ —

Dividends

During fiscal 2016, the Company paid total cash dividends of $141.4 million, consisting of dividends of $0.11 per share of common stock paid in all four quarters of the fiscal year. On November 7, 2016 the Company's Board declared a cash dividend of $0.11 per share payable to holders of record of the Company's common stock at the close of business day on December 29, 2016. This cash dividend was paid on January 19, 2017 and totaled $35.5 million.

During fiscal 2015, the Company paid total cash dividends of $128.0 million, consisting of dividends of $0.11 per share of common stock paid in all four quarters of the fiscal year. On November 9, 2015 the Company's Board declared a cash dividend of $0.11 per share payable to holders of record of the Company's common stock at the close of business day on December 31, 2015. This cash dividend was paid on January 21, 2016 and totaled $36.5 million.

NOTE 15. EQUITY TRANSACTIONS (Continued)

During fiscal 2014, the Company paid total cash dividends of $69.2 million, consisting of dividends of $0.11 per share of common stock paid in all four quarters of the fiscal year. On November 24, 2014 the Company's Board declared a cash dividend of $0.11 per share payable to holders of record of the Company's common stock at the close of business day on December 26, 2014. This cash dividend was paid on January 15, 2015 and totaled $17.9 million.

NOTE 16. RELATED PARTY TRANSACTIONS

During the year ended January 1, 2017, the Company purchased from, or sold to, several entities, where one or more executive officers of the Company or members of the Company's Board of Directors also serves as an executive officer or a board member, including Flextronics, Inc., and Oracle. The following table provides the transactions with these parties for the indicated periods:

	Year ended	
	January 1, 2017	January 3, 2016
	(in thousands)	
Total revenues	$2,965	$1,684
Total purchases	$6,694	$3,963

As of January 1, 2017 and January 3, 2016, total receivable balances with these parties totaled $2.9 million and $5.0 million, respectively, and total payable balances with these parties totaled $0.2 million and $0.8 million, respectively.

The Company's related party includes Deca. The net receivable balance with Deca was immaterial as of January 1, 2017.

NOTE 17. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted-average common shares outstanding during the period. Diluted net income per share is computed using the weighted-average common shares outstanding and any dilutive potential common shares. Diluted net loss per common share is computed using the weighted-average common shares outstanding and excludes all dilutive potential common shares when the Company is in a net loss position their inclusion would be anti-dilutive. The Company's dilutive securities primarily include stock options, restricted stock units and restricted stock awards.

NOTE 17. NET INCOME (LOSS) PER SHARE (Continued)

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands, except per-share amounts)		
Net Income (Loss) per Share—Basic:			
Net income (loss) attributable to Cypress for basic computation	$(686,251)	$(378,867)	$ 17,936
Weighted-average common shares for basic computation	319,522	302,036	159,031
Net income (loss) per share—basic	$ (2.15)	$ (1.25)	$ 0.11
Net Income (Loss) per Share—Diluted:			
Net income (loss) attributable to Cypress for diluted computation	$(686,251)	$(378,867)	$ 17,936
Weighted-average common shares for basic computation	319,522	302,036	159,031
Effect of dilutive securities:			
Stock options, restricted stock units, restricted stock awards and other	—	—	10,091
Weighted-average common shares for diluted computation	319,522	302,036	169,122
Net income (loss) per share—diluted	$ (2.15)	$ (1.25)	$ 0.11

Anti-Dilutive Securities:

The following securities calculated on a weighted average basis were excluded from the computation of diluted Net income (loss) per share as their impact was anti-dilutive:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(in thousands)		
Stock options, restricted stock units and restricted stock awards	7,519	6,828	8,708

NOTE 18. EMPLOYEE BENEFIT PLANS

Pension Plans

The Company sponsors defined benefit pension plans covering employees in certain of its international locations. The Company does not have defined-benefit pension plans for its United States-based employees. Pension plan benefits are based primarily on participants' compensation and years of service credited as specified under the terms of each country's plan. The funding policy is consistent with the local requirements of each country.

As of January 1, 2017 and January 3, 2016, projected benefit obligations totaled $9.7 million and $8.4 million, respectively, and the fair value of plan assets was $3.2 million and $3.3 million, respectively.

NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)

Spansion Innovates Group Cash balance plan (Defined Benefit Plan)

In connection with the Merger, the Company assumed the Spansion Innovates Group Cash Balance Plan (a defined benefit pension plan) in Japan. Defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions such as turnover rates, discount rates and other factors. The discount rate assumption is determined by comparing the projected benefit payments to the Japanese corporate bonds yield curve as of end of the fiscal year. The benefit obligation is the projected benefit obligation (PBO), which represents the actuarial present value of benefits expected to be paid upon retirement. This liability is recorded in other long term liabilities on the Consolidated Balance Sheets. Net periodic pension cost is recorded in the Consolidated Statements of Operations and includes service cost. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the time value of money associated with the passage of time on the PBO. Gains or losses resulting from a change in the PBO if actual results differ from actuarial assumptions will be accumulated and amortized over the future life of the plan participants if they exceed 10% of the PBO, being the corridor amount. If the amount of a net gain or loss does not exceed the corridor amount, they will be recorded in other comprehensive income.

Also in connection with the assumption of this pension plan liability, the Company assumed the restricted cash balance, which relates to the underfunded portion of the pension liability. The pension liability will be paid out by fiscal 2017 in annual installments according to the employee's election. As of January 1, 2017 , the Company has a pension liability of $4.7 million recorded as a part of the accrued compensation and employee benefits on the Consolidated Balance Sheet and restricted cash of $4.2 million on the Consolidated Balance Sheet. As of January 3, 2016 the Company has a pension liability of $3.9 million and $3.7 million recorded as a part of the accrued compensation and employee benefits, and other long-term liabilities, respectively, on the Consolidated Balance Sheet and restricted cash of $3.7 million and $3.5 million recorded in other current assets and other long-term assets, respectively, on the Consolidated Balance Sheet.

The plan is unfunded as of January 1, 2017. This status is not indicative of the Company's ability to pay ongoing pension benefits. The Company recorded a net periodic cost of $1.1 million and $0.9 million for the year ended January 1, 2017 and January 3, 2016, respectively. The Company has accrued a liability of $1.9 million and $1.7 million as of January 1, 2017 and January 3, 2016, respectively, which has been recorded in other long term liabilities on the Consolidated Balance Sheet. The Company expects to contribute an immaterial amount towards the Cash Balance Plan for fiscal 2016.

Cypress Incentive Plan

The Company has an employee incentive plan, which provides for incentive payments to certain employees including all named executive officers. Payments under the plan are determined based up on certain performance measures, including the company's Non GAAP actual revenue and EPS as well as the achievement of strategic, operational and financial goals established for the company and for each employee. The Company recorded total charges of $4.0 million under the plan in fiscal 2016.

NOTE 18. EMPLOYEE BENEFIT PLANS (Continued)

Deferred Compensation Plans

The Company has deferred compensation plans, which provides certain key employees, including its executive management, with the ability to defer the receipt of compensation in order to accumulate funds for retirement on a tax-deferred basis. The Company does not make contributions to the deferred compensation plans or guarantee returns on the investments. Participant deferrals and investment gains and losses remain the Company's assets and are subject to claims of general creditors.

Under the deferred compensation plans the assets are recorded at fair value in each reporting period with the offset being recorded in "Other income (expense), net." The liabilities are recorded at fair value in each reporting period with the offset being recorded as an operating expense or income. As of January 1, 2017 and January 3, 2016, the fair value of the assets was $45.6 million and $41.2 million, respectively, and the fair value of the liabilities was $46.4 million and $41.5 million, respectively.

All non-cash expense and income recorded under the deferred compensation plans were included in the following line items in the Consolidated Statements of Operations:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(in thousands)	
Changes in fair value of assets recorded in:			
Other income (expense), net	$ 2,326	$(1,353)	$ 3,014
Changes in fair value of liabilities recorded in:			
Cost of revenues	(288)	38	427
Research and development expenses	(884)	233	(793)
Selling, general and administrative expenses	(1,889)	260	(1,855)
Total income (expense), net	$ (735)	$ (822)	$ 793

401(k) Plan

The Company sponsors a 401(k) plan which provides participating employees with an opportunity to accumulate funds for retirement on a tax deferred basis. The Company does not make contributions to the 401(k) plan and all employee contributions are fully vested.

NOTE 19. INCOME TAXES

The geographic distribution of income (loss) before income taxes and the components of income tax benefit (provision) are summarized below:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
United States loss	$(789,627)	$(476,014)	$(109,307)
Foreign income	105,992	111,836	124,652
Income (loss) before income taxes	(683,635)	(364,178)	15,345
Income tax benefit (provision):			
Current tax benefit (expense):			
Federal	(1,144)	219	5,551
State	204	55	(49)
Foreign	(926)	(17,189)	(4,732)
Total current tax benefit (expense)	(1,866)	(16,915)	770
Deferred tax benefit (expense):			
Federal	(556)	(610)	—
State	(31)	(155)	—
Foreign	(163)	720	403
Total deferred tax benefit (expense)	(750)	(45)	403
Income tax benefit (provision)	$ (2,616)	$ (16,960)	$ 1,173

Income tax benefit (provision) differs from the amounts obtained by applying the statutory United States federal income tax rate to income (loss) before taxes as shown below:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Benefit (provision) at U.S. statutory rate of 35%	$ 239,272	$ 127,462	$ (5,371)
Foreign income at other than U.S. rates	(36,552)	(22,385)	37,477
Future benefits not recognized	(30,263)	(126,846)	(35,107)
Goodwill impairment	(181,987)	—	—
Reversal of previously accrued taxes	13,371	10,939	8,286
Tax impact of acquisitions	—	(6,457)	(2,538)
Foreign withholding taxes	(2,018)	(243)	(1,195)
State income taxes, net of federal benefit	(87)	(138)	(49)
Other, net	(4,352)	708	(330)
Income tax benefit (provision)	$ (2,616)	$ (16,960)	$ 1,173

NOTE 19. INCOME TAXES (Continued)

The components of deferred tax assets and liabilities were as follows:

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
Deferred tax assets:		
Credits and net operating loss carryovers	$ 493,879	$ 624,086
Reserves and accruals	133,614	160,804
Excess of book over tax depreciation	35,886	12,463
Deferred income	26,457	20,059
Total deferred tax assets	689,836	817,412
Less valuation allowance	(458,674)	(525,021)
Deferred tax assets, net	231,162	292,391
Deferred tax liabilities:		
Foreign earnings	(160,862)	(184,671)
Intangible assets arising from acquisitions	(71,960)	(108,784)
Total deferred tax liabilities	(232,822)	(293,455)
Net deferred tax assets	$ (1,660)	$ (1,064)

The Company has the following tax loss and credit carryforwards available to offset future income tax liabilities:

Carryforward	Amount	Expiration Date
	(In thousands)	
Federal net operating loss carryforward	$1,533,094	2020 - 2036
Federal research credit carryforward	$ 142,229	2018 - 2036
International foreign tax credit carryforward	$ 13,297	2017 - 2023
State research credit carryforward	$ 93,571	indefinite
State net operating loss carryforward	$ 789,407	2017 - 2036

The federal and state net operating loss carryforward is from acquired companies and the annual use of such loss is subject to significant limitations under Internal Revenue Code Section 382. Net operating loss carryovers have been adjusted to reflect finalization of transfer pricing studies. Foreign tax credits may only be used to offset tax attributable to foreign source income.

As of January 1, 2017 of the total deferred tax assets of $689.8 million, a valuation allowance of $458.7 million has been recorded for the portion that is not more likely than not to be realized. As of January 3, 2016, of the total deferred tax assets of $817.4 million, a valuation allowance of $525.0 million has been recorded for the portion which is not more likely than not to be realized. The Company's determination of the need for a valuation allowance each year is based on a jurisdictional assessment.

The Company received tax deductions from the gains realized by employees on the exercise of certain non-qualified stock options for which the benefit is recognized as a component of stockholders' equity. When recognized, the tax benefit related to $657.3 million of the Company's net operating loss carry forwards will be accounted for as an increase to additional paid-in capital rather than a reduction of the income tax provision.

NOTE 19. INCOME TAXES (Continued)

United States income taxes and foreign withholding taxes have not been provided on a cumulative total of $282.7 million and $339.1 million of undistributed earnings for certain non-United States subsidiaries as of January 1, 2017 and January 3, 2016, respectively, because portion of such earnings are intended to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be distributed.

The Company's global operations involve manufacturing, research and development, and selling activities. The Company's operations outside the U.S. are in certain countries that impose a statutory tax rate lower than the U.S. The Company is subject to tax holidays in Malaysia and Thailand where it manufactures and designs certain products. These tax holidays are scheduled to expire at varying times within the next five years. The Company's tax benefit of these tax holidays for the year ended January 1, 2017 had an insignificant impact on earnings per share. Overall, the Company expects its foreign earnings to be taxed at rates lower than the statutory tax rate in the U.S.

Unrecognized Tax Benefits

The following table is a reconciliation of unrecognized tax benefits:

	(In thousands)
Unrecognized tax benefits, as of December 29, 2013	$ 18,613
Decrease related to settlements with taxing authorities	(6,361)
Increase based on tax positions related to current year	993
Decrease related to lapsing of statute of limitation	(1,638)
Unrecognized tax benefits, as of December 28, 2014	$ 11,607
Decrease related to settlements with taxing authorities	(838)
Decrease related to lapsing of statute of limitation	(818)
Decrease based on tax positions related to prior year	(10,272)
Increase based on tax positions related to current year	6,487
Increases in balances related to tax positions taken during prior periods (including those related to acquisitions made during the year)	108,677
Unrecognized tax benefits, as of January 3, 2016	$114,843
Decrease related to lapsing of statute of limitation	(7,190)
Decrease based on tax positions related to prior year	—
Increase based on tax positions related to current year	5,639
Increases in balances related to tax positions taken during prior periods	33,032
Unrecognized tax benefits, as of January 1, 2017	$146,324

Gross unrecognized tax benefits increased by $31.5 million during fiscal year 2016, resulting in gross unrecognized tax benefits of $146.3 million as of January 1, 2017.

During fiscal year 2016, the Company recognized $7.2 million of previously unrecognized tax benefits as a result of either the expiration of the statute of limitations for certain audit periods or settlement with taxing authorities.

NOTE 19. INCOME TAXES (Continued)

The Company recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes line in the accompanying consolidated statements of operations. The Company recognized approximately $3.4 million of benefit related to interest and penalties in fiscal year 2016. Accrued interest and penalties are included within other long-term liabilities in the consolidated balance sheets. As of January 1, 2017 and January 3, 2016, the combined amount of cumulative accrued interest and penalties was approximately $8.5 million and $12.0 million, respectively.

As of January 1, 2017 and January 3, 2016, the amounts of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate totaled $24.3 million and $28.4 million, respectively.

Management believes events that could occur in the next 12 months and cause a material change in unrecognized tax benefits include, but are not limited to, the following:

- completion of examinations by the U.S. or foreign taxing authorities; and
- expiration of statute of limitations on the Company's tax returns.

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. The Company regularly assesses its tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the countries in which it does business. The Company believes it is possible that it may recognize approximately $0.5 million of its existing unrecognized tax benefits within the next twelve months as a result of the lapse of statutes of limitations and the resolution of agreements with domestic and various foreign tax authorities.

Classification of Interest and Penalties

The Company's policy is to classify interest expense and penalties, if any, as components of income tax provision in the Consolidated Statements of Operations. As of January 1, 2017 and January 3, 2016, the amount of accrued interest and penalties totaled $8.5 million and $12.0 million, respectively. The Company recorded a charge or (benefit) from interest and penalties of $(3.4) million, $9.1 million and $(2.8) million during fiscal 2016, 2015 and 2014, respectively.

Tax Examinations

The following table summarizes the Company's major tax jurisdictions and the tax years that remain subject to examination by such jurisdictions as of January 1, 2017:

Tax Jurisdictions	Tax Years
United States	2009 and onward
Philippines	2011 and onward
Israel	2014 and onward
India	2009 and onward
Thailand	2010 and onward
Malaysia	2007 and onward
Switzerland	2008 and onward
California	2010 and onward

NOTE 19. INCOME TAXES (Continued)

Income tax examinations of the Company's Malaysian subsidiary for the fiscal years 2007 to 2012 and its Thailand subsidiary for fiscal year 2010 are in progress. The Company does not believe the ultimate outcome of these examinations will result in a material increase to its tax liability.

NOTE 20. COMMITMENTS AND CONTINGENCIES

Product Warranties

The Company warrants its products against defects in materials and workmanship for a period of one year and that product warranty is generally limited to a refund of the original purchase price of the product or a replacement part. The Company estimates warranty costs based on historical warranty claim experience. Warranty returns are recorded as an allowance for sales returns. The allowance for sales returns is reviewed quarterly to verify that it properly reflects the remaining obligations based on the anticipated returns over the balance of the obligation period.

The following table presents warranty reserve activities:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
	(In thousands)		
Beginning balance	$ 4,096	$ 2,370	$ 2,628
Warranties assumed as part of the Spansion merger	—	1,254	—
Provisions & prior warranty estimates	5,261	2,820	1,449
Settlements made	(5,361)	(2,348)	(1,707)
Ending balance	$ 3,996	$ 4,096	$ 2,370

Patent License Agreement

In December 2015, the Company entered into a strategic Patent License Agreement ("Agreement") with Round Rock LLC ("Round Rock") under which the Company and its majority-owned subsidiaries received a license to Round Rock's substantial patent portfolio. This transaction allowed the Company and Round Rock to continue to develop its strategic relationship regarding patent monetization and litigation defense. Under the terms of the Agreement, the Company paid a license fee of $6 million. One of the benefits that the Company received from the Agreement was the avoidance of future litigation expenses as well as future customer disruption and based upon its analysis, it determined that a portion of the license fee that the Company will pay Round Rock represents the cumulative cost relating to prior years. Consequently, the Company has recorded $2.2 million charge to cost of revenues in fiscal 2015. During fiscal 2016, the Company has recorded $0.8 million as part of cost of revenues related to this arrangement.

On April 30, 2012, the Company entered into a strategic Patent License Agreement ("PLA") with IV Global Licensing LLC ("IV") under which the Company and its majority-owned subsidiaries received a license to IV's substantial patent portfolio. This transaction allowed the Company and IV to continue to develop their strategic relationship regarding patent monetization and litigation defense. Under the terms of the PLA, the Company paid a license fee of $14.0 million and to purchase certain litigation defense services from IV in the future. In addition, in a related agreement, IV is expected to

NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)

make certain patent purchases from the Company in the near term. The exact terms and conditions of the PLA are subject to confidentiality provisions, and are the subject of an application for confidential treatment to be filed with the SEC. In June 2015, the Company paid an additional license fee of $18.5 million under the existing license agreement due to the merger with Spansion in March 2015.

One of the benefits that the Company received from the PLA was the avoidance of future litigation expenses as well as future customer disruption and based upon the Company's analysis, using a relief from royalty method, the Company determined that a portion of the license fee that it will pay IV represents the cumulative cost relating to prior years. As such, the Company recorded, $7.1 million which was recorded as a charge to cost of revenues in fiscal 2012. The Company originally capitalized $6.9 million on the Consolidated Balance Sheet and an additional 18.5 million due to the acquisition of Spansion as discussed above and also paid $5.8 million in 2016 remaining from the original agreement. The Company is amortizing such costs over the remaining life of the patent portfolio. Amortization expense was $5.9 million, $4.4 million and $0.8 million in fiscal years January 1, 2017, January 3, 2016 and December 28, 2014, respectively. The remaining capitalized balance of the PLA is $18.6 million and $18.7 million and $6.4 million and 5.6 million is in Current assets, and $12.2 million and $13.2 million in Long-term assets on the Consolidated Balance Sheet as of January 1, 2017 and January 3, 2016, respectively.

Operating Lease Commitments

We lease certain facilities and equipment under non-cancelable operating lease agreements that expire at various dates through fiscal 2020. Some leases include renewal options, which would permit extensions of the expiration dates at rates approximating fair market rental values.

As of January 1, 2017 future minimum lease payments under non-cancelable operating leases were as follows:

Fiscal Year	(In thousands)
2017	$18,935
2018	13,445
2019	9,177
2020	7,915
2021	6,030
2022 and Thereafter	21,820
Total	$77,322

Rental expenses totaled $15.0 million, $17.1 million and $6.8 million in fiscal 2016, 2015 and 2014, respectively.

Restructuring accrual balances related to operating facility leases were $14.2 million and $17.4 million as of January 1, 2017 and January 3, 2016, respectively.

Equity Investment Commitments

The Company has committed to purchase additional preferred stock from Enovix. In fiscal 2016 we invested $23.0 million in this Company. The Company has committed to make additional investments

NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)

of an amount of approximately $5 million in preferred stock in Enovix subject to the attainment of certain milestones.

Litigation and Asserted Claims

In a matter associated with Ramtron International Corporation ("Ramtron"), a wholly owned subsidiary of the Company, bankruptcy proceedings are ongoing in Italy where the trustee for four bankrupt entities of Finmek S.pA. is seeking refunds of approximately $2.8 million in payments made by Finmek to Ramtron prior to Finmek's bankruptcy in 2004. In November 2014, one of the courts presiding over these proceedings found that two payments should be refunded to Finmek, which currently total of approximately $0.5 million, including interest and fees. The Company believes this ruling was made in error and has filed an appeal (Court of Appeal of Venice, Docket no. 2706/2015). The Company has prevailed in all other related proceedings, which the trustee may appeal (Court of Appeal of Venice, Docket Nos. 1387/2014 and 2487/2015; Tribunal of Padua Docket No. 5378/2009). Due to the current stage of the proceedings and the appellate process, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

In 2013, a former employee filed a grievance against the Company with the U.S. Department of Labor ("DOL") seeking back pay and reinstatement or forward pay. The matter was tried before an administrative law judge in July 2014. In December 2014, the administrative law judge issued a ruling in favor of the former employee for amounts totaling approximately $1.3 million, which includes his attorneys' fees and costs. On March 30, 2016, the ruling was affirmed by the DOL Administrative Review Board. The Company believes both rulings were erroneous and filed an appeal in the United States Court of Appeals for the Tenth Circuit on April 29, 2016 (Case No. 16-9523). Oral argument was heard by a three-judge panel in January 2017, and a ruling is expected by the second or third quarter of 2017. The respective positions of the parties and the appellate process prevent a reasonable determination of the outcome at this time. This former employee also filed a complaint for wrongful termination in state court in El Paso County, Colorado on March 4, 2015 (Case No. 2015-cv-30632). The state court litigation is stayed pending resolution of the DOL matter. The Company believes the state court action is meritless and will defend against the allegations. Due to the current stage of the proceedings and the appellate process, the Company cannot reasonably estimate the loss or the range of possible loss, if any.

After the announcement of the proposed Merger between Cypress and Spansion Inc. in December 2014, two separate putative class action complaints *(Walter Jeter v. Spansion Inc., et. al.* (No. 114CV274635) and *Shiva Y. Stein v. Spansion Inc., et. al.* (No. 114CV274924)) were filed in Santa Clara County Superior Court, alleging claims of breach of fiduciary duty against Spansion's board of directors and naming Cypress as a defendant for aiding and abetting the alleged breach of fiduciary duty. While Cypress believes these lawsuits to be meritless, Spansion and Cypress entered into a memorandum of understanding with plaintiffs, the terms of which required additional disclosures by the Company and payment of attorneys' fees to the class counsel. In January 2017, the court approved the settlement agreement, which included payment of $0.3 million in attorneys' fees to plaintiffs' counsel.

NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)

Since August 2014, the Company has been involved in various trademark opposition proceedings with Kingston Technology Corporation ("Kingston") concerning Kingston's "HYPERX" trademark and the Company's "HYPERRAM" trademark, including Trademark Trial and Appeal Board Proceeding Nos. 91218100, 91222728, and 92061796. The Company believes its defenses and counterclaims have merit and will continue to defend its intellectual property. Due to the current stage of the proceedings, the Company cannot reasonably estimate the loss or the range of possible loss, if any.

On May 17, 2016, a patent infringement case was filed by North Star Innovations, Inc. ("North Star") against the Company and UMC Group USA ("UMC") in the U.S. District Court for the District of Delaware (Case No. 16-cv-368). North Star alleges that the Company infringes three patents. On September 26, 2016, North Star filed a second case against the Company and UMC in the U.S. District Court for the Central District of California (Case No. 16-cv-01721), asserting two additional patents against the Company, as well as one of the patents asserted in the Delaware lawsuit. In December 2016, the Company settled with North Star, pursuant to which the Company obtained a license to the North Star patent portfolio for $2.5 million to be paid in equal installments over three years. In January 2017, the Delaware lawsuit was dismissed and in February 2017, the California lawsuit was dismissed.

On August 15, 2016, a patent infringement lawsuit was filed by the California Institute of Technology ("Caltech") against the Company in the U.S. District Court for the Central District of California (Case No. 16-cv-03714). The other co-defendants are Apple Inc., Avago Technologies Limited, Broadcom Corporation, and Broadcom Limited. Caltech alleges that defendants infringe four patents. The matter is still in the very early stages and the Company will defend against the allegations accordingly. Due to the current stage of the proceedings, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

In September 2016, the Company was named in a lawsuit filed by Standard Communications Pty Ltd. in Sydney, Australia (Supreme Court of New South Wales; Case No. 2016/263578-002), for approximately $1.1 million in costs associated with a product recall. The matter is still in the very early stages and the Company will defend against the allegations accordingly. Due to the current stage of the proceedings, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

On January 30, 2017, T.J. Rodgers, the former Chief Executive Officer and director of the Company, filed a complaint in the Delaware Court of Chancery captioned Rodgers v. Cypress Semiconductor Corp., C.A. No. 2017-0070-AGB (Del. Ch.), seeking to inspect certain Company books and records pursuant to Section 220 of the Delaware General Corporation Law. On February 20, 2017, the Company filed its answer and response to Mr. Rodgers' complaint. The complaint does not seek an award of money damages other than reasonable attorneys and expert fees, costs and expenses. Given the stage and nature of the litigation, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

The Company is currently a party to various other legal proceedings, claims, disputes and litigation arising in the ordinary course of business. Based on its own investigations, the Company believes the ultimate outcome of the current legal proceedings, individually and in the aggregate, will not have a material adverse effect on its business, financial condition, cash flows or results of operations. However, because of the nature and inherent uncertainties of litigation, should the outcome of these actions be

NOTE 20. COMMITMENTS AND CONTINGENCIES (Continued)

unfavorable, the Company's business, financial condition, cash flows or results of operations could be materially and adversely affected.

Indemnification Obligations

We are a party to a variety of agreements pursuant to which we may be obligated to indemnify another party to such agreements with respect to certain matters. Typically, these obligations arise in the context of contracts we have entered into, under which we customarily agree to hold the other party harmless against losses arising from a breach of representations and covenants or terms and conditions related to matters such as the sale and/or delivery of our products, title to assets sold, certain intellectual property claims, defective products, specified environmental matters and certain income taxes. In these circumstances, payment by us is customarily conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow us to challenge the other party's claims and vigorously defend ourselves and the third party against such claims. Further, our obligations under these agreements may be limited in terms of time, amount or the scope of our responsibility and in some instances, we may have recourse against third parties for certain payments made under these agreements.

It is not possible to predict the maximum potential amount of future payments under these agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments we have made under these agreements have not had a material effect on our business, financial condition, cash flows or results of operations. We believe that if we were to incur a loss in any of these matters, such loss would not have a material effect on our business, financial condition, cash flows or results of operations, although there can be no assurance of this. As of January 1, 2017, we had no reason to believe a loss exceeding amounts already recognized had been incurred.

NOTE 21. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION

Segment Information

The Company designs, develops, manufactures and markets a broad range of high-performance solutions for embedded systems, from automotive, industrial and networking platforms to highly interactive consumer devices

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker ("CODM") is considered to be the chief executive officer.

The prior periods herein reflect the change in segments as outlined in Note 1 of the Notes to Consolidated Financial Statements.

NOTE 21. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION (Continued)

The following tables set forth certain information relating to the reportable business segments:

Revenues:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Memory Products Division	$ 928,626	$ 876,574	$356,497
Microcontroller and Connectivity Division	994,482	731,279	369,000
Total revenues	$1,923,108	$1,607,853	$725,497

Income (Loss) from Operations before Income Taxes:

	Year Ended		
	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
Memory Products Division	$ 192,983	$ 82,137	$128,213
Microcontroller and Connectivity Division	(9,853)	(70,393)	(37,033)
Unallocated items:			
Stock-based compensation expense	(105,268)	(93,527)	(50,170)
Restructuring (charges) benefit, including executive severance	(30,631)	(90,084)	1,180
Amortization of intangibles and other acquisition-related costs	(210,513)	(143,487)	(13,955)
Impairment of assets and other	(33,944)	—	(7,760)
Impairment related to assets held for sale	(37,219)	—	—
Gain on divestiture of TrueTouch® Mobile business	—	66,472	—
Changes in value of deferred compensation plan	(735)	(820)	—
Gain related to investment in Deca Technologies Inc.	112,774	—	—
Goodwill impairment charge	(488,504)	—	—
Impact of purchase accounting and other	(55,724)	(107,328)	(62)
Income (loss) from operations before income taxes	$(666,634)	$(357,030)	$ 20,413

The Company does not allocate goodwill and intangible assets impairment charges, impact of purchase accounting, IPR&D, severance and retention costs, acquisition-related costs, stock-based compensation, interest income and other, and interest expense to its segments. In addition, the Company does not allocate assets to its segments. The Company excludes these items consistent with the manner in which it internally evaluates its results of operations.

NOTE 21. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION (Continued)

Geographical Information

The following table presents revenues by geographical locations(1)

	January 1, 2017	January 3, 2016	December 28, 2014
		(In thousands)	
United States	$ 199,294	$ 199,527	$ 96,082
Europe	255,604	208,525	94,481
Greater China(2)	819,200	525,274	292,338
Japan	420,869	464,673	64,635
Rest of the World	228,141	209,854	177,961
Total revenue	$1,923,108	$1,607,853	$725,497

(1) Prior period numbers have been recast to conform to the current period presentation. During the second quarter of fiscal 2016, the Company started presenting this information based on location of customers to whom the sale of products was made.

(2) Greater China includes China, Taiwan and Hong Kong.

Property, plant and equipment, net, by geographic locations were as follows:

	As of	
	January 1, 2017	January 3, 2016
	(In thousands)	
United States	$189,912	$269,304
Philippines	37,790	90,356
Thailand	32,547	34,233
Japan	14,898	9,537
Other	22,119	21,573
Total property, plant and equipment, net	$297,266	$425,003

The Company tracks its assets by physical location. Although management reviews asset information on a corporate level and allocates depreciation expense by segment, the Company's chief operating decision maker does not review asset information on a segment basis.

Customer Information

Outstanding accounts receivable from one the Company's distributors, accounted for 24% of Company's consolidated accounts receivable as of January 1, 2017. Outstanding accounts receivable from two of the Company's distributors, accounted for 42% and 11% of the Company's consolidated accounts receivable as of January 3, 2016.

Revenue generated through one of Company's distributors, accounted for 23% of Company's consolidated revenues for fiscal 2016. No end customer accounted for 10% or more of the Company's revenues for fiscal 2016.

NOTE 21. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION (Continued)

Revenue generated through two of Company's distributors, accounted for 25% and 10% respectively, of the Company's consolidated revenues for fiscal 2015. No end customer accounted for 10% or more of the Company's revenues for fiscal 2015.

Revenue generated through three of our distributors accounted for 13%, 10% and 10%, respectively, of the Company's consolidated revenues for fiscal 2014.

NOTE 22. SUBSEQUENT EVENT

Amendment to Credit and Guarantee Agreement

On February 17, 2017, we amended our Senior Secured Credit Facility. The amendment reduced the applicable margins on our Term Loan A from 5.11% to 3.75% and from 5.50% to 3.75% Term Loan B effective February 17, 2017. Additionally, the amended financial covenants include the following conditions: 1) maximum senior secured leverage ratio of 4.25 to 1.00 through December 31, 2017, 2) maximum senior secured leverage ratio of 4.00 to 1.00 through July 1, 2018 and 3.75 to 1.00 thereafter.

Divestiture

On March 1, 2017, the Company completed the sale of its wafer fabrication facility in Minnesota to an independent third party for net consideration of $30.0 million, subject to working capital adjustments.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cypress Semiconductor Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Cypress Semiconductor Corporation and its subsidiaries (the "Company") at January 1, 2017 and January 3, 2016 and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2017 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2017, based on criteria established in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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/ PricewaterhouseCoopers LLP

San Jose, California
March 1, 2017

UNAUDITED QUARTERLY FINANCIAL DATA

Fiscal 2016

	Three Months Ended			
	January 1, 2017(4)(5)(10)	October 2, 2016 (5)(6)(10)	July 3, 2016(7)(8)(10)	April 3, 2016(9)(10)
	(In thousands, except per-share amounts)			
Revenues	$530,172	$523,845	$ 450,127	$ 418,964
Gross margin	$201,952	$198,620	$ 158,778	$ 125,785
Net income (loss)	$ (72,413)	$ 9,235	$(519,655)	$(104,154)
Adjust for net loss attributable to non-controlling interest	$ (46)	$ 176	$ 381	$ 132
Net income (loss) attributable to Cypress	$ (72,367)	$ 9,411	$(519,274)	$(104,022)
Net income (loss) per share—basic	$ (0.22)	$ 0.03	$ (1.65)	$ (0.32)
Net income (loss) per share—diluted	$ (0.22)	$ 0.03	$ (1.65)	$ (0.32)

Fiscal 2015

	Three Months Ended			
	January 3, 2016	September 27, 2015(2)(3)	June 28, 2015	March 29, 2015(1)
	(In thousands, except per-share amounts)			
Revenues	$450,128	$463,810	$484,778	$ 209,137
Gross margin	$143,248	$160,376	$138,073	$ (35,652)
Net income (loss)	$ (72,797)	$ 29,791	$ (90,691)	$(247,441)
Adjust for net loss attributable to non-controlling interest	$ 467	$ 521	$ 640	$ 643
Net income attributable to Cypress	$ (72,330)	$ 30,312	$ (90,051)	$(246,798)
Net income (loss) per share—basic	$ (0.22)	$ 0.09	$ (0.27)	$ (1.26)
Net income (loss) per share—diluted	$ (0.22)	$ 0.08	$ (0.27)	$ (1.26)

(1) During the first quarter of fiscal 2015, the impact from the change in methodology for recognizing revenue for sales to certain distributors at the time of shipment was an increase in revenue of $33.5 million and an increase in net income of $17.5 million, or $0.09 per basic and diluted share.

(2) During the third quarter of fiscal 2015, the impact from the change in methodology for recognizing revenue for sales to certain distributors at the time of shipment was an increase in revenue of $17.3 million, increase in net income of $9.4 million, or $0.03 per basic and diluted share.

(3) In the third quarter of fiscal 2015, the Company completed the sale of its TrueTouch® Mobile business to Parade Technologies and recorded a total gain of $66.5 million.

(4) During the fourth quarter of fiscal 2016, the impact from the change in methodology for recognizing revenue for sales to certain distributors at the time of shipment was an increase in revenue of $12.6 million and a reduction in net loss of $2.2 million, or $0.01 per basic and diluted share.

(5) In the third quarter of fiscal 2016, the Company has changed the method of accounting for its investment in Deca Technologies Inc. (“Deca”) from consolidation to the equity method of accounting. The change in the method of accounting resulted in a gain of $112.8 million. See Note 6 of the notes to the consolidated financial statements. In the third and fourth quarter of

fiscal 2016, the Company recorded $1.5 million and $6.7 million, respectively, in share in net loss of equity method investee relating to Deca.

(6) In the third quarter of fiscal 2016, the Company recorded out-of-period correcting adjustments primarily related to cut-off errors for foundry manufacturing costs, errors related to stock rotation balances, prior accounting for the non-controlling interest in Deca, and the over accrual of certain employee bonuses. These out-of-period corrections resulted in a $6.6 million increase in the cost of revenues, a $3.7 million decrease in research and development expenses, and a $2.1 million reduction in the recognized gain on the investment in Deca, for an aggregate reduction in net income of $5.0 million.

(7) In the second quarter of fiscal 2016, the Company recorded a non-cash goodwill impairment charge of $488.5 million related to the Company's MCD reporting unit. See Note 3 of the notes to the consolidated financial statements.

(8) During the second quarter of fiscal 2016, the impact from the change in methodology for recognizing revenue for sales to certain distributors at the time of shipment, was increase in revenue of $24.2 million, reduction in net loss of $6.8 million or $0.02 per basic and diluted share.

(9) During the first quarter of fiscal 2016, the impact from the change in methodology for recognizing revenue for sales to certain distributors at the time of shipment, was increase in revenue of $9.4 million, reduction in net loss of $3.1 million or $0.01 per basic and diluted share.

(10) During the first, second, third and fourth quarters of fiscal 2016, the Company recorded $0.3 million, $0.7 million, $8.0 million and $17.2 million, respectively, of restructuring charges. See Note 10 of the notes to the consolidated financial statements.

Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

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 such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission 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 recognized 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 necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures 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 and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation. 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.

We assessed the effectiveness of our internal control over financial reporting as of January 1, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)*. Based on our assessment using these criteria listed above, our management (including our Chief Executive Officer and Chief Financial Officer) concluded that our internal control over financial reporting was effective as of January 1, 2017.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued a report on our internal control over financial reporting. The report on the audit of internal control over financial reporting appears on page *104* of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Consent Solicitation Statement

On February 17, 2017, the Company filed preliminary consent solicitation materials with the SEC, and on February 28, 2017, the Company filed definitive consent solicitation materials with the SEC, seeking stockholder approval to amend the Company's Second Restated Certificate of Incorporation to eliminate the practice of cumulative voting for director elections. In connection with the filing of such materials, the Company's board of directors also approved an amendment to Company's bylaws to adopt a majority vote standard for the election of directors in uncontested elections and a plurality vote standard for the election of directors in contested elections, and implement proxy access, subject to stockholder approval of the proposal to eliminate cumulative voting. The proxy access provisions would permit stockholders who satisfy certain criteria to include stockholder-nominated director candidates in the Company's proxy materials. These actions would take effect if stockholders approve the elimination of cumulative voting. A majority of the shares outstanding of the Company will be required to approve these changes.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K. We intend to file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and certain information included therein is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item concerning directors is incorporated by reference from the information set forth in the section titled "Proposal One—Election of Directors" in our Proxy Statement for the 2017 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended January 1, 2017 (the "2017 Proxy Statement").

The information required by this item concerning delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference from the information set forth in the section titled "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2017 Proxy Statement.

The information required by this item concerning executive officers is incorporated by reference from Item 1 of this Annual Report on Form 10-K.

We have adopted a code of ethics that applies to all of our directors, officers and employees. We have made the code of ethics available, free of charge, on our website at *www.cypress.com*. By referring to our website, we do not incorporate such website or its contents into this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item concerning executive compensation is incorporated by reference from the information set forth in the sections titled "Compensation Discussion and Analysis" and "Executive Compensation Tables" in our 2017 Proxy Statement.

The information required by this item concerning compensation of directors is incorporated by reference from the information set forth in the section titled "Director Compensation" in our 2017 Proxy Statement.

The information required by this item concerning our compensation committee is incorporated by reference from the information set forth in the sections titled "Compensation Committee Interlocks and Insider Participation" and "Report of the Compensation Committee of the Board of Directors" in our 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item concerning security ownership of certain beneficial owners, directors and executive officers is incorporated by reference from the information set forth in the section titled "Security Ownership of Certain Beneficial Owners and Management" in our 2017 Proxy Statement.

The information required by this item regarding our equity compensation plans is incorporated by reference from Item 5 of this Annual Report on Form 10-K

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item concerning transactions with certain persons is incorporated by reference from the information set forth in the sections titled "Policies and Procedures with Respect to Related Person Transactions" and "Certain Relationships and Related Transactions" in our 2017 Proxy Statement.

The information required by this item concerning director independence is incorporated by reference from the information set forth in the section titled "Corporate Governance" in our 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item concerning fees and services is incorporated by reference from the information set forth in the section titled "Proposal Two—Ratification of the Selection of Independent Registered Public Accounting Firm" in our 2017 Proxy Statement.

The information required by this item regarding the audit committee's pre-approval policies and procedures is incorporated by reference from the information set forth in the section titled "Proposal Two—Ratification of the Selection of Independent Registered Public Accounting Firm" in our 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

1. Financial Statements:

2. Financial Statement Schedule:

The exhibits listed below are required to be filed as exhibits to the Cypress Semiconductor's Annual Report on Form 10-K for the year ended January 1, 2017.

3. Exhibits:

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charges (Releases) to Expenses/Revenues	Deductions	Balance at End of Period
		(In thousands)		
Allowance for doubtful accounts receivable:				
Year ended January 1, 2017	$ 1,189	$ 490	$(651)	$ 1,028
Year ended January 3, 2016	$ 738	$ 576	$(125)	$ 1,189
Year ended December 28, 2014	$ 719	$ 39	$ (20)	$ 738
Deferred tax valuation allowance				
Year ended January 1, 2017	$525,021	$(66,347)(1)	$ —	$458,674
Year ended January 3, 2016	$358,424	$166,597(1)	$ —	$525,021
Year ended December 28, 2014	$334,671	$ 23,753(1)	$ —	$358,424

(1) Represents the change in valuation allowance primarily related to federal and state deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income

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.

CYPRESS SEMICONDUCTOR CORPORATION

Date: March 1, 2017

By: /s/ THAD TRENT

Thad Trent
Executive Vice President, Finance and Administration and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Hassane EL-Khoury and Thad Trent, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ HASSANE EL-KHOURY Hassane El-Khoury	President, Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2017
/s/ THAD TRENT Thad Trent	Executive Vice President, Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2017
/s/ W. STEVE ALBRECHT W. Steve Albrecht	Director	March 1, 2017
/s/ ERIC A. BENHAMOU Eric A. Benhamou	Director	March 1, 2017
/s/ H. RAYMOND BINGHAM H. Raymond Bingham	Executive Chairman and Chairman of the Board of Directors	March 1, 2017

Signature	Title	Date
/s/ OH CHUL KWON Oh Chul Kwon	Director	March 1, 2017
/s/ WILBERT G.M. VAN DEN HOEK Wilbert G.M. Van Den Hoek	Director	March 1, 2017
/s/ MICHAEL S. WISHART Michael S. Wishart	Director	March 1, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
2.1	Agreement and Plan of Merger and Reorganization, dated as of December 1, 2014, by and among Cypress Semiconductor Corporation, a Delaware corporation, Mustang Acquisition Corporation, a wholly owned subsidiary of Cypress Semiconductor Corporation and a Delaware corporation, and Spansion Inc., a Delaware corporation.	8-K	12/1/2014	
3.1	Second Restated Certificate of Incorporation of Cypress Semiconductor Corporation.	10-K	12/31/2000	
3.2	Amended and Restated Bylaws of Cypress Semiconductor Corporation.	10-Q	7/3/2016	
4.1	Supplemental Indenture, dated March 12, 2015, by and between Spansion LLC, Spansion Inc., Spansion Technology LLC and the other guarantors from time to time party thereto, Cypress Semiconductor Corporation and Wells Fargo Bank, National Association, as trustee.	8-K(1)	3/12/2015	
4.2	Indenture, dated June 23, 2016, by and between Cypress Semiconductor Corporation and U.S. Bank National Association.	8-K	6/23/2016	
4.3	Form of 4.50% Senior Convertible Note due 2022 (included in Exhibit 4.1 of the Form 8-K, referenced herein).	8-K	6/23/2016	
4.4	Form of Capped Call Transaction.	10-Q	7/3/2016	
10.1+	Form of Indemnification Agreement.	S-1	3/4/1987	
10.2+	Form of Change of Control Severance Agreement.	10-Q	7/3/2016	
10.3+	Severance Policy dated May 26, 2016.	10-Q	7/3/2016	
10.4+	Cypress Semiconductor Corporation Non-Qualified Deferred Compensation Plan I.	10-K	1/3/2016	
10.5+	Cypress Semiconductor Corporation Non-Qualified Deferred Compensation Plan II.	10-K	1/3/2016	
10.6+	Cypress Semiconductor Corporation 2006 Key Employee Bonus Plan (KEBP) Summary.	10-Q	7/3/2016	
10.7+	Cypress Semiconductor Corporation Performance Profit Sharing Plan (PPSP) Summary.	10-K	1/1/2006	
10.8	Memorandum of Agreement between GNPower Ltd. Co. and Cypress Manufacturing Ltd.	10-Q	10/1/2006	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.9	Guaranty dated December 12, 2006 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-K	12/31/2006	
10.10	Lease Agreement dated as of June 27, 2003 between Wachovia Development Corporation and Cypress Semiconductor Corporation.	10-Q	6/29/2003	
10.11	Memorandum of Agreement between GNPower Ltd. Co. and Cypress Manufacturing Ltd.	10-Q	10/1/2006	
10.12	Guaranty dated December 12, 2006 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-K	12/31/2006	
10.13	Guaranty dated February 1, 2007 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-K	12/31/2006	
10.14	Guaranty dated March 19, 2007 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-Q	4/1/2007	
10.15	Guaranty dated May 15, 2007 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-Q	7/1/2007	
10.16	Guaranty dated June 15, 2007 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-Q	7/1/2007	
10.17	Guaranty dated December 15, 2007 by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-K	12/30/2007	
10.18	Guaranty, dated March 24, 2008, by and between Grace Semiconductor USA, Inc., CIT Technologies Corporation and Cypress Semiconductor Corporation.	10-Q	3/30/2008	
10.19	Asset Purchase Agreement by and between Broadcom Corporation as Seller and Cypress Semiconductor Corporation as Buyer dated as of April 28, 2016.	10-Q	4/3/2016	
10.20	Project Le Cose Commitment Letter dated as of April 28, 2016	10-Q	4/3/2016	
10.21	Purchase Agreement by and among Merrill Lynch, Pierce, Fenner & Smith Incorporated and Cypress Semiconductor Corporation dated as of June 20, 2016.	10-Q	7/3/2016	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
10.22	Joinder and Amendment Agreement, dated as of July 5, 2016, by and among Cypress Semiconductor Corporation, the guarantors party thereto, the incremental term loan lenders party thereto, and Morgan Stanley Senior Funding, Inc., as administrative agent and as collateral agent.	8-K	7/5/2016	
10.23+	Form of Restricted Stock Unit Agreement under the Cypress Semiconductor Corporation 2013 Stock Plan.	10-Q	9/27/2015	
10.24+	Amended Form of Restricted Stock Unit and Performance Stock Unit Grant Agreement under the 2015 PARS Grant program.	10-Q	6/28/2015	
10.25+	2012 Incentive Award Plan, as amended and restated.	S-8	12/12/2012	
10.26+	Spansion Inc. 2010 Equity Incentive Award Plan	S-8(1)	5/10/2010	
10.27+	Amendment to Spansion Inc. 2010 Equity Incentive Award Plan	8-K(1)	5/14/2010	
10.28+	1999 Non-Statutory Stock Option Plan, as amended and restated.	S-8	10/24/2008	
10.29+	Amended and Restated Cypress Semiconductor Corporation 2013 Stock Plan.	10-Q	9/27/2015	
10.30+	Employee Qualified Stock Purchase Plan, as amended and restated.	10-K	3/2/2016	
10.31+	2016 Cypress Incentive Plan.	8-K	2/25/2016	
10.32	Form of Cypress Support Agreement.	8-K	12/1/2014	
10.33	Form of Spansion Support Agreement.	8-K	12/1/2014	
10.34+	Thad Trent Employment Agreement.	10-K	2/17/2015	
10.35+	J. Daniel McCranie Employment Agreement.	10-K	2/17/2015	
10.36+	Separation Agreement with J. Daniel McCranie.	10-Q	3/29/2015	
10.37+	Employment Agreement and Release between Cypress Semiconductor Corporation and T.J. Rodgers dated June 3, 2016.	10-Q	7/3/2016	
10.38+	Employment Offer Letter, by and between Cypress Semiconductor Corporation and H. Raymond Bingham, dated August 10, 2016.	8-K	8/12/2016	
10.39+	Employment Offer Letter, by and between Cypress Semiconductor Corporation and Hassane El-Khoury, dated August 10, 2016.	8-K	8/12/2016	

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
10.40+	Employment Agreement, by and between Cypress Semiconductor Corporation and H. Raymond Bingham, dated November 7, 2016.			X
10.41+	Employment Agreement, by and between Cypress Semiconductor Corporation and Hassane El-Khoury, dated November 30, 2016.			X
10.42+	Amendment and Restatement Agreement, dated as of March 12, 2015, by and among Cypress Semiconductor Corporation, Cypress Semiconductor (Minnesota) Inc., Spansion Inc., Spansion LLC, Spansion Technology LLC, Spansion International AM, Inc., Spansion International Trading, Inc., the lenders party thereto, and Morgan Stanley Senior Funding, Inc., as administrative agent.	8-K	3/12/2015	
10.43+	Amended and Restated Credit and Guaranty Agreement, dated as of March 12, 2015, by and among Cypress Semiconductor Corporation, the guarantors from time to time party thereto, the lenders from time to time party thereto, Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, East West Bank, Silicon Valley Bank and SunTrust Bank, as syndication agents and documentation agents, and Morgan Stanley Bank, N.A., as Issuing Bank.	8-K	3/12/2015	
10.44	Joinder Agreement dated as of December 22, 2015.	8-K	1/11/2016	
10.45	Incremental Revolving Joinder Agreement dated as of January 6, 2016.	8-K	1/11/2016	
10.46	Amendment No. 2 to Amended and Restated Credit and Guaranty Agreement dated March 23, 2016.	10-Q	4/3/2016	
10.47	Amendment No. 3 to Amended and Restated Credit and Guaranty Agreement dated April 27, 2016.	10-Q	4/3/2016	
10.48	Lease Agreement dated as of June 27, 2003 between Wachovia Development Corporation and Cypress Semiconductor Corporation.	10-Q	6/29/2003	
10.49	Lease Agreement between Spansion Inc. and Hines VAP No. Cal. Properties, LP, effective May 20, 2014.	10-Q(1)	5/20/2014	
10.50++	Distribution Agreement between Cypress Semiconductor Corporation and Fujitsu Electronics Incorporated dated September 10, 2015.	10-Q	9/27/2015	
21.1	Subsidiaries of Cypress Semiconductor Corporation.			X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
23.1	Consent of Independent Registered Public Accounting Firm.			X
24.1	Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K).			X
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X
32.1+++	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X
32.2+++	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.			X
101.SCH	XBRL Taxonomy Extension Schema Document.			X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.			X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.			X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.			X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.			X

\+ Identifies a management contract or compensatory plans or arrangements required to be filed as an exhibit.

++ Confidential treatment has been granted with respect to portions of this exhibit.

+++ Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

(1) Indicates a filing of Spansion Inc.

Exhibit 21.1

SUBSIDIARIES OF CYPRESS SEMICONDUCTOR CORPORATION

Name	Jurisdiction of Incorporation or Formation
Spansion International IP, Inc.	Cayman Islands
Spansion LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-203038 and 333-95711), Form S-4 (No. 333-201173) and Form S-8 (Nos. 333-212320, 333-203041, 333-199798, 333-189612, 333-185439, 333-174673, 333-165750, 333-154748, 333-150484, 333-131494, 333-119049, 333-108175, 333-104672, 333-101479, 333-99221, 333-91764, 333-71528, 333-66074, 333-58896, 333-44264, 333-93839, 333-93719, 333-76665, 333-68703, 333-52035, 333-24831, 333-00535, 033-59153, 033-57499, and 033-54637) of Cypress Semiconductor Corporation of our report dated March 1, 2017 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California

March 1, 2017

Exhibit 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Hassane El-Khoury, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cypress Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017

By: /s/ HASSANE EL-KHOURY

HASSANE EL-KHOURY
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Thad Trent, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cypress Semiconductor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2017

By: /s/ THAD TRENT

Thad Trent
Executive Vice President, Finance and Administration and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Hassane El-Khoury, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Cypress Semiconductor Corporation for the year ended January 1, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Cypress Semiconductor Corporation.

Dated: March 1, 2017

By: /s/ HASSANE EL-KHOURY

HASSANE EL-KHOURY
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Thad Trent, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Cypress Semiconductor Corporation for the year ended January 1, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Cypress Semiconductor Corporation.

Date: March 1, 2017

By: /s/ THAD TRENT

Thad Trent
Executive Vice President, Finance and Administration and Chief Financial Officer

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

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Section 240.14a-12

CYPRESS SEMICONDUCTOR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials:

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CYPRESS
EMBEDDED IN TOMORROW™

April 19, 2017

Dear Fellow Stockholder:

You are cordially invited to attend Cypress Semiconductor Corporation's 2017 Annual Meeting of Stockholders. We will hold the meeting on June 8, 2017, at 10:00 a.m. Pacific Daylight Time, at our principal executive offices located at 198 Champion Court, San Jose, California 95134. We look forward to your attendance in person or by proxy at the meeting.

Please refer to the Proxy Statement for detailed information on each of the proposals to be presented at the Annual Meeting. Your vote is important, and we strongly urge you to cast your vote whether or not you plan to attend the Annual Meeting.

If you are a stockholder of record, meaning that you hold shares directly with Computershare Trust Company N.A., the inspector of elections will have your name on a list and you will be able to gain entry to the Annual Meeting with any form of government-issued photo identification (e.g., driver's license, state-issued ID card, passport). If you hold stock in a brokerage account or in "street name" and wish to attend the Annual Meeting in person, you will also need to bring a letter from your broker reflecting your stock ownership as of the record date, which is April 18, 2017.

Thank you for your ongoing support and continued interest in Cypress Semiconductor Corporation.

Very truly yours,

Hassane El-Khoury
President and Chief Executive Officer

CYPRESS SEMICONDUCTOR CORPORATION

NOTICE OF THE 2017 ANNUAL MEETING OF STOCKHOLDERS

TO ALL CYPRESS STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Cypress Semiconductor Corporation, a Delaware corporation, will be held on:

Date: June 8, 2017

Time: 10:00 a.m. Pacific Daylight Time

Place: Cypress's principal executive offices located at 198 Champion Court, San Jose, California 95134

Items of Business:

1. The election of seven directors to serve on our Board of Directors for a one-year term, with each director to hold office until his successor is duly elected and qualified or until his earlier death, resignation or removal;
2. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2017;
3. Annual advisory vote to approve the compensation of our named executive officers;
4. Advisory vote on the frequency of the advisory vote on the compensation of our named executive officers;
5. Amendment and restatement of our 2013 Stock Plan to approve (i) adding additional shares to the plan, and (ii) making certain administrative and clerical changes to the plan; and
6. 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 2017 Annual Meeting of Stockholders. This Notice, the 2016 Annual Report and our 2017 Proxy Statement are being made available to stockholders on or about April 19, 2017.

All stockholders are cordially invited to attend the Annual Meeting in person. Only stockholders of record at the close of business on April 18, 2017, are entitled to receive notice of, and may vote at, the Annual Meeting, or any adjournment or postponement thereof. Any stockholder attending the Annual Meeting and entitled to vote may do so in person even if such stockholder returned a **WHITE** proxy card or voted by telephone or online. We have provided voting instructions in the attached Proxy Statement on how you can vote your shares at or before the Annual Meeting. The attached Proxy Statement and our 2016 Annual Report to stockholders are also available online at www.cypress.com/2016annualreport. You are encouraged to access and review all of the important information contained in these materials prior to voting.

Our Board of Directors has selected the seven persons named in the Proxy Statement as its nominees for election to the Board of Directors at the Annual Meeting. Each of our nominees is currently serving as a director of Cypress. We believe that the seven nominees named in the attached proxy statement have a well-rounded combination of experience, expertise and insight, all necessary to provide the right leadership to build value for all Cypress stockholders.

Please note that Cypress's former Chief Executive Officer and Director, T.J. Rodgers, has submitted nominations for two candidates for election to the Board of Directors at the Annual Meeting. We do not endorse the election of either of Mr. Rodgers' nominees as a director. You may receive proxy solicitation materials from Mr. Rodgers or other persons or entities affiliated with them in support of his nominees, including an opposition proxy statement and a gold proxy card. OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" ALL OF THE BOARD'S NOMINEES ON THE ENCLOSED **WHITE** PROXY CARD OR VOTING INSTRUCTION FORM AND URGES YOU NOT TO SIGN OR RETURN ANY GOLD PROXY CARD OR VOTING INSTRUCTION FORM SENT TO YOU BY OR ON BEHALF OF

MR. RODGERS. Even if you have previously submitted a proxy or voting instructions with respect to the director nominees solicited by Mr. Rodgers, you have the right to change your vote. If you are a stockholder of record, you may change your vote by marking, dating, signing and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided or by following the instructions on the **WHITE** proxy card to submit your proxy electronically over the Internet or by telephone. Only the latest dated proxy you submit will be counted. If you hold your shares in "street name," please follow the voting instructions provided by your bank, broker or other nominee to change your vote. We urge you to disregard any gold proxy card or voting instruction form sent to you by Mr. Rodgers or on behalf of any person other than Cypress.

If you have any questions or require any assistance with voting your shares, or if you need additional copies of the proxy materials, please contact:

Okapi Partners LLC
1212 Avenue of the Americas
24th Floor
New York, New York 10036
Telephone: (212) 297-0720
Toll-Free: (877) 285-5990
Email: cyinfo@okapipartners.com

FOR THE BOARD OF DIRECTORS

P Tondreau

Pamela Tondreau
Corporate Secretary

San Jose, California, April 19, 2017

Proxy Statement

2017 ANNUAL MEETING OF STOCKHOLDERS

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

TABLE OF CONTENTS

CYPRESS SEMICONDUCTOR CORPORATION 2017 PROXY STATEMENT SUMMARY

This summary highlights information contained in this Proxy Statement. This summary does not contain all of the information you should consider. Please read the entire Proxy Statement carefully before voting.

<table>
<tr><th>2017 Annual Meeting Information
(Begins on Page 3)</th><th colspan="3">Items of Business</th></tr>
<tr><td rowspan="6">Date: June 8, 2017

Time: 10:00 AM Pacific Daylight Time

Location: Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134

Record Date: April 18, 2017

Admission: To attend the meeting in person, you will need proof of your share ownership and valid picture identification</td><td>Proposal</td><td>Board Recommendation</td><td>Page Number</td></tr>
<tr><td>1. The election of seven directors to serve on our Board of Directors for one-year terms, with each director to hold office until his successor is duly elected and qualified or until his earlier death, resignation or removal.</td><td>For</td><td>15</td></tr>
<tr><td>2. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year 2017.</td><td>For</td><td>19</td></tr>
<tr><td>3. Annual advisory vote to approve the compensation of our named executive officers.</td><td>For</td><td>20</td></tr>
<tr><td>4. Advisory vote on the frequency of the advisory vote on the compensation of our named executive officers.</td><td>One Year</td><td>21</td></tr>
<tr><td>5. Amendment and restatement of the 2013 Stock Plan to approve (i) adding additional shares to the plan, and (ii) certain administrative and clerical changes to the plan.</td><td>For</td><td>22</td></tr>
<tr><th colspan="4">Executive Compensation Highlights
(Begins on Page 48)</th></tr>
<tr><td colspan="4">We pay for performance:
- significant portion of named executive officer (NEO) compensation is 100% at-risk performance-based equity
- target total NEO compensation is aligned with peer group
- delivered NEO cash compensation for fiscal year 2016 was 53% of target
- for fiscal year 2016, performance-based equity awards granted were contingent on gross margin and new product performance milestones
- NEO performance compensation includes multi-year component

We seek to mitigate compensation-related risk through a variety of vehicles, including through the following:
- anti-hedging policy
- stock ownership and retention guidelines for all named executive officers
- anti-pledging policy for all named executive officers and directors</td></tr>
</table>

Our Corporate Governance Policies Reflect Best Practices
- annual election of directors - Lead Independent Director - majority voting in uncontested director elections - proxy access provisions - 71% of directors are independent - all board committee members are independent - anti-hedging policy - annual “say-on-pay” votes - stock ownership and retention guidelines for named executive officers - annual board and committee self-evaluations

Director Nominees				Board Committee Composition			
Name	**Director Since**	**Independent**	**Position**	**Audit**	**Comp.**	**Nom. & Corp. Governance**	**Ops.****
W. Steve Albrecht*	2003	x	Director	Chair		✓	
Eric A. Benhamou	1993	x	Lead Independent Director	✓	Chair	✓	
H. Raymond Bingham	2015		Executive Chairman				
Hassane El-Khoury	2016		President, CEO and Director				
Oh Chul Kwon	2015	x	Director				
Wilbert van den Hoek	2011	x	Director		✓		Chair
Michael Wishart	2015	x	Director	✓	✓	Chair	

* Mr. Albrecht has been designated as the "audit committee financial expert" in accordance with the requirements of the SEC and the Nasdaq Listing Rules.
** Dissolved in April 2017.

CYPRESS SEMICONDUCTOR CORPORATION

PROXY STATEMENT FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

FREQUENTLY ASKED QUESTIONS ABOUT THE PROXY MATERIALS AND VOTING

Why am I receiving these materials?

The Board of Directors (the "Board") of Cypress Semiconductor Corporation (sometimes referred to as "we," "us," "our," the "Company" or "Cypress") is providing these proxy materials to solicit your vote at the 2017 Annual Meeting of Stockholders, or any adjournment or postponement thereof (the "Annual Meeting"). The Annual Meeting will be held on June 8, 2017, at 10:00 a.m. Pacific Daylight Time at our principal executive offices located at 198 Champion Court, San Jose, California 95134. The telephone number at this address is (408) 943-2600.

The Company has received notice from T.J. Rodgers, our former Chief Executive Officer and Director, that he is nominating two individuals, J. Daniel McCranie and Camillo Martino (the "Rodgers Nominees") for election to the Board at the Annual Meeting and soliciting proxies from Cypress stockholders in support of the Rodgers Nominees.

The Rodgers Nominees are not endorsed by our Board. **We urge stockholders NOT to vote any gold proxy card or voting instruction form that you may receive from or on behalf of Mr. Rodgers.** We are not responsible for the accuracy of any information provided by or relating to Mr. Rodgers contained in any proxy solicitation materials filed or disseminated by or on behalf of Mr. Rodgers or any other statements that Mr. Rodgers may otherwise make. Mr. Rodgers chooses which stockholders receive his proxy solicitation materials.

Our Board of Directors urges you to vote "FOR" all of our nominees for director: W. Steve Albrecht, Eric A. Benhamou, H. Raymond Bingham, Hassane El-Khoury, Oh Chul Kwon, Wilbert van den Hoek and Michael S. Wishart.

Who may attend the Annual Meeting?

All stockholders and holders of proxies for those stockholders as of April 18, 2017 (the "Record Date"), as well as other persons invited by Cypress, may attend the Annual Meeting. If you are a stockholder of record, meaning that you hold shares directly with Computershare Trust Company, N.A., the inspector of elections will have your name on a list, and you will be able to gain entry to the Annual Meeting with any form of government-issued photo identification (e.g., driver's license, state-issued ID card, passport). Stockholders holding stock in brokerage accounts or in "street name" wishing to attend the Annual Meeting in person will also need to bring a letter from their broker reflecting their stock ownership as of the Record Date.

Who is entitled to vote?

Only Cypress stockholders as of the close of business on the Record Date are entitled to vote at the Annual Meeting. As of the Record Date, there were approximately 329,380,510 shares outstanding of Cypress's common stock, par value $0.01 per share.

What may I vote on?

You may vote on all items listed below:

1. The election of seven directors to serve on our Board of Directors for one-year terms, with each director to hold office until his successor is duly elected and qualified or until his earlier death, resignation or removal;
2. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year 2017;
3. Annual advisory vote to approve the compensation of our named executive officers;
4. Advisory vote on the frequency of the advisory vote on the compensation of our named executive officers;
5. Amendment and restatement of the 2013 Stock Plan to approve (i) adding additional shares to the plan, and (ii) certain administrative and clerical changes to the plan; and

6. The transaction of such other business as may properly come before the Annual Meeting, or any adjournment or postponement thereof.

As described above, the Board has selected the seven persons named in Proposal 1 as its nominees for election to the Board at the Annual Meeting. Cypress has also received notice from Mr. Rodgers that he is nominating the Rodgers Nominees for election as directors at the Annual Meeting and soliciting proxies from stockholders in support of the Rodgers Nominees. The Rodgers Nominees are not endorsed by our Board. We urge stockholders to vote "FOR" all of the seven director nominees named in Proposal 1 on the **WHITE** proxy card and NOT to vote any gold proxy card or voting instruction form that you may receive from or on behalf of Mr. Rodgers.

What is the difference between a registered stockholder or stockholder of record and a beneficial stockholder?

Registered Stockholder or Stockholder of Record: Shares Registered in Your Name

If, on the Record Date, your shares were registered directly in your name with the Company's transfer agent, Computershare Trust Company, N.A., then you are a registered stockholder or a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or you may vote by proxy. Shares you hold in a bank or brokerage account are not generally registered directly in your name.

Beneficial Stockholder: Shares Registered in the Name of a Bank or Broker

If your shares were held in an account at a bank, brokerage firm, dealer, or other similar organization on the Record Date, then you are the beneficial stockholder of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial stockholder, you have the right to instruct your bank or broker on how to vote the shares in your account. You are also invited to attend the Annual Meeting. You will be able to gain entry to the Annual Meeting with any form of government-issued photo identification (e.g., driver's license, state-issued ID card, passport), along with a copy of a letter from your bank or broker reflecting your stock ownership as of the Record Date.

However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your bank or broker in advance of the Annual Meeting.

How do I vote and what are the voting deadlines?

Whether you hold your shares directly as the stockholder of record or beneficially in "street name," you may vote your shares by proxy without attending the Annual Meeting. Depending on how you hold your shares, you may vote your shares in one of the following ways:

Stockholders of Record: If you are a stockholder of record, there are several ways for you to vote your shares.

By mail	**By telephone or online**	**In person at the Annual Meeting**
If you received printed proxy materials, you may submit your vote by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the **WHITE** proxy card. Proxy cards submitted by mail must be received no later than June 7, 2017 at 5:00 p.m. Eastern Daylight Time to be voted at the Annual Meeting.	You may vote your shares by telephone or online by following the instructions provided in the proxy materials. If you vote by telephone or online, you do not need to return a proxy card by mail. Online and telephone voting are available 24 hours a day. Votes submitted by telephone or online must be received by 11:59 p.m. Eastern Daylight Time on June 7, 2017.	You may vote your shares in person at the Annual Meeting. Even if you plan to attend the Annual Meeting in person, we recommend that you also submit your **WHITE** proxy card or voting instructions, or vote by telephone or online by the applicable deadline so that your vote will be counted if you later decide not to attend the Annual Meeting.

Beneficial Stockholders: If you are the beneficial owner of your shares, you should have received the proxy materials and voting instructions from the bank or broker holding your shares. You should follow the instructions in the proxy materials and voting instructions to instruct your bank or broker on how to vote your shares. The availability of telephone and online voting will depend on the voting process of the bank or broker. Shares held beneficially may be voted in person at the Annual Meeting only if you obtain a legal proxy from the bank or broker in advance of the Annual Meeting giving you the right to vote your shares.

What shares may be voted and how may I cast my vote for each proposal?

You may vote all shares you own as of the close of business on the Record Date. You may cast one vote per share of common stock for each proposal.

What is the effect of a broker vote?

Banks and brokers who hold shares of our common stock for a beneficial owner have the discretion to vote on "routine" proposals even if they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. Proposal 2 is considered a "routine" matter under the applicable standards. A “broker non-vote” occurs when a bank or broker does not receive voting instructions from the beneficial owner on a particular matter and does not have the discretion to direct the voting of the shares on a particular proposal. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the final vote with respect to a particular proposal. Thus, a broker non-vote may impact our ability to obtain a quorum, but will not otherwise affect the outcome of the vote on any proposal.

How many votes are needed to approve each proposal?

With respect to Proposal 1, Cypress has adopted a majority voting standard for uncontested director elections and a plurality voting standard for contested elections. The voting standard is discussed further under the section titled “*Proposal 1-Election of Directors*.” Because the number of nominees timely nominated for election at the annual meeting exceeds the number of directors to be elected at the meeting, the election of directors at the annual meeting is a contested election. As a result, directors will be elected by a plurality of the votes cast at the annual meeting, meaning that, the seven director nominees receiving the highest number of "FOR" votes will be elected. You may vote “FOR” all nominees, “WITHHOLD” your vote for all nominees, or vote “FOR” all nominees except those specific nominees from whom you “WITHHOLD” your vote. If you return the **WHITE** proxy card, unless indicated otherwise thereon, your shares will be voted “FOR” all of the seven nominees named in Proposal 1 in this Proxy Statement. A properly executed proxy marked “WITHHOLD” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than seven directors. If you hold your shares in “street name,” your bank or broker is not permitted to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf.

With respect to Proposals 2, 3 and 5, we must receive a “FOR” vote from the majority of shares present and entitled to vote either in person or by proxy in order for such proposal to be approved. Under Delaware law, if you “ABSTAIN” from voting for Proposals 2, 3 and 5, it will have the same effect as an “AGAINST” vote.

Proposal 4 is an advisory, or “non-binding” vote to provide stockholders with a mechanism to provide input to the Board about the matters described therein. The voting standard is discussed further under the section titled “*Proposal 4 - Advisory Vote on the Frequency of the Advisory Vote on the Compensation of Our Named Executive Officers*.”

Proposal	Vote Required	Broker Vote Allowed
Proposal 1 – Election of seven directors	Plurality of votes cast	No
Proposal 2 – Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2017	Majority of shares entitled to vote and present in person or represented by proxy	Yes
Proposal 3 – Annual advisory vote to approve the compensation of our named executive officers	Majority of shares entitled to vote and present in person or represented by proxy	No

Proposal	Vote Required	Broker Vote Allowed
Proposal 4 – Advisory vote on the frequency of the advisory vote on the compensation of our named executive officers	N/A	No
Proposal 5 - Amendment and restatement of the 2013 Stock Plan to approve (i) adding additional shares to the plan, and (ii) certain administrative and clerical changes to the plan	Majority of shares entitled to vote and present in person or represented by proxy	No

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid annual meeting. A quorum will be present if at least a majority of the outstanding shares are represented by proxy or by stockholders present and entitled to vote at the Annual Meeting. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your bank or broker) or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chairman of the Annual Meeting or holders of a majority of the votes present at the Annual Meeting may adjourn the Annual Meeting to another time or date.

How can I change my vote or revoke my proxy?

If you are a stockholder of record, you have the right to revoke your proxy and change your vote at any time before the Annual Meeting by (i) returning a later-dated **WHITE** proxy card, or (ii) voting again online or by telephone, as more fully described in your proxy materials or **WHITE** proxy card. You may also revoke your proxy and change your vote by voting in person at the Annual Meeting. If your shares are held by a bank or broker, you may change your vote by submitting new voting instructions to your bank, broker, trustee or agent, or, if you have obtained a legal proxy from your bank or broker giving you the right to vote your shares, by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request or vote again at the Annual Meeting.

What does it mean if I get more than one WHITE proxy or voting instructions card?

It means you hold shares in more than one registered account. You must vote all of your **WHITE** proxy cards in one of the manners described above (under "*How do I vote and what are the voting deadlines?*") to ensure that all your shares are voted.

What should I do if I receive a proxy card or voting instruction form from or on behalf of Mr. Rodgers?

Mr. Rodgers has provided notice that he is nominating the Rodgers Nominees for election as directors at the Annual Meeting and soliciting proxies from stockholders in support of the Rodgers Nominees. The Rodgers Nominees are not endorsed by our Board. You may receive proxy solicitation materials from Mr. Rodgers, including an opposition gold proxy statement and proxy card. **OUR BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY GOLD PROXY CARD OR VOTING INSTRUCTION FORM SENT TO YOU BY OR ON BEHALF OF MR. RODGERS.** Even if you have previously submitted a gold proxy card or voting instructions with respect to the director nominees solicited by Mr. Rodgers, you have the right to change your vote. If you are a stockholder of record, you may change your vote by marking, dating, signing and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided or by following the instructions on the **WHITE** proxy card to submit your proxy electronically over the Internet or by telephone. **Only the latest dated proxy you submit will be counted.** If you are a beneficial holder, please follow the voting instructions provided by your bank, broker or other nominee to change your vote.

We urge you to disregard any gold proxy card or voting instruction form sent to you by Mr. Rodgers or on behalf of any person other than the Company. Please note that if you submit a gold proxy card or voting instruction form to "WITHHOLD AUTHORITY" to vote your shares with respect to any of the Rodgers Nominees, that submission will not cause your shares to be counted as a vote "FOR" any of the Board's nominees and will result in the revocation of any previous proxy or voting instructions you may have submitted using Cypress's **WHITE** proxy card or voting instruction form.

Who will count the votes?

Representatives of an independent proxy tabulator will count the votes and will act as the Inspector of Elections. The procedures to be used by the Inspector of Elections are consistent with Delaware law concerning the voting of shares, determination of a quorum and the vote required to take stockholder action.

How much did this proxy solicitation cost and who will pay for the cost?

This solicitation is made on behalf of Cypress's Board of Directors and the Company will bear the cost of soliciting your vote in connection with this proxy statement (the "Proxy Statement"). These costs will include the costs of preparing, mailing, online processing and other costs of the proxy solicitation made by our Board of Directors. We have requested that banks, brokers and other custodians, agents and fiduciaries send these proxy materials to the beneficial owners of our common stock they represent and secure their instructions as to the voting of such shares. We may reimburse such banks, brokers and other custodians, agents and fiduciaries representing beneficial owners of our common stock for their expenses in forwarding solicitation materials to such beneficial owners. Certain of our directors, officers or employees may also solicit proxies in person, by telephone, or by electronic communications, but they will not receive any additional compensation for doing so.

Such solicitations may be made by telephone, facsimile transmission, over the Internet or personal solicitation. No additional compensation will be paid to such officers, directors or regular employees for such services. The Company may also solicit shareholders through press releases issued by the Company, advertisements in periodicals and postings on the Company's website at www.cypress.com.

The Company has retained Okapi Partners LLC ("Okapi") to assist it in soliciting proxies and related services for a fee estimated to be approximately $375,000, plus certain other service fees and expenses. The Company has also agreed to certain indemnification provisions with Okapi. Okapi expects that approximately 100 of its employees will assist in soliciting proxies. The Company may incur other expenses in connection with the solicitation of proxies for the Annual Meeting.

Who are the participants in this proxy solicitation?

Our director nominees, as well as certain of our officers and employees are considered "participants" in our solicitation under the rules of the SEC by reason of their position as directors and director nominees of the Company or because they may be soliciting proxies on our behalf. See the section titled "*Security Ownership of Certain Beneficial Owners and Management*" and Appendix A for additional information with respect to such individuals.

How can I receive the Proxy Statement and annual report by electronic delivery?

You may sign up for Cypress's e-delivery program at www.cypress.com/edeliveryconsent. When you sign up for our electronic delivery program, you will be notified by e-mail whenever our annual report or proxy statement is available for viewing online. Your enrollment in the e-delivery program will remain in effect as long as your account remains active or until you cancel your enrollment.

How can a stockholder request a copy of Cypress's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") for fiscal year 2016?

Online: Visit our website at www.cypress.com/2016annualreport to view the Annual Report online or print a copy.

By Mail: Send a written request for a copy of our Annual Report on Form 10-K to: Corporate Secretary, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California 95134. Upon receipt of such request by a stockholder, we will provide a printed copy of our Annual Report on Form 10-K without charge. Our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 was filed with the SEC on March 1, 2017.

How and when may I submit proposals or director nominations for consideration at next year’s annual meeting of stockholders?

For stockholder proposals to be considered for inclusion in our 2018 Proxy Statement, the written proposal must be received by our Corporate Secretary, at our principal executive offices located at 198 Champion Court, San Jose, California 95134, no later than December 20, 2017, in accordance with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In the event the date of next year’s annual meeting is moved more than 30 days before or after the anniversary date of this year’s annual meeting, the deadline for inclusion of stockholder proposals in our proxy statement pursuant to Rule 14a-8 of the Exchange Act would instead be publicly announced to stockholders and would be a reasonable time before we begin to print and mail our proxy materials.

In addition, the Company’s bylaws establish an advance notice procedure for stockholders who wish to present certain matters or nominate director candidates before or at an annual meeting of stockholders. Stockholders who wish to submit a proposal or director nomination under the Company's bylaws must deliver written notice to our Corporate Secretary at the address above no earlier than February 3, 2018 and no later than March 5, 2018. Any such proposal or nomination must contain the specific information required by the Company’s bylaws.

In the event the date of next year's annual meeting is moved more than 30 days before or 60 days after the anniversary date of this year's annual meeting, you may submit a proposal or director nomination under the Company's bylaws by delivering written notice to our Corporate Secretary at the address above no earlier than the close of business on the 120th day prior to the annual meeting and no later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. All stockholder proposals will also need to comply with SEC regulations, including Rule 14a-8 of the Exchange Act regarding the inclusion of stockholder proposals in the Company's proxy materials.

The Company’s bylaws also provide for separate notice procedures for eligible stockholders who wish to include their director nominees in the Company’s annual meeting proxy materials. Eligible stockholders who wish to submit a director nomination under the Company’s proxy access bylaw must deliver written notice to our Corporate Secretary at the address above no earlier than January 9, 2018 and no later than February 8, 2018 (assuming an Annual Meeting date of June 8, 2017). Any such nomination must contain the specific information required by the Company’s bylaws.

If you would like a copy of Cypress’s current bylaws, please write to: Corporate Secretary, 198 Champion Court, San Jose, California 95134. A copy is also filed with the SEC and can be accessed at www.sec.gov.

Where can I find the voting results of the Annual Meeting?

We will announce the preliminary voting results at the Annual Meeting and file a Current Report on Form 8-K announcing the final voting results after the Annual Meeting.

How many copies of the proxy materials will you deliver to stockholders sharing the same address?

To reduce the expenses of delivering duplicate proxy materials, we are taking advantage of the SEC’s “householding” rules that permit us to deliver a single copy of the Proxy Statement and annual report to stockholders who share the same address, unless otherwise requested by one or more of the stockholders. We undertake to deliver promptly, upon written or oral request, a separate copy of such proxy materials to stockholders who share an address. You may request separate proxy materials for the Annual Meeting or for future annual meetings, or request that we send only one set of proxy materials to you if you are receiving multiple copies, by writing to Investor Relations, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California 95134 or by calling (408) 943-2600.

Who can I contact if I have questions or need assistance in voting my shares, or if I need additional copies of the proxy materials?

Please contact Okapi Partners, the firm assisting us in our solicitation of proxies, at:

Okapi Partners LLC
1212 Avenue of the Americas
24th Floor

New York, New York 10036
Telephone: (212) 297-0720
Toll-Free: (877) 285-5990
Email: cyinfo@okapipartners.com

CERTAIN BACKGROUND INFORMATION

As noted in the section titled *Frequently Asked Questions About The Proxy Materials and Voting*, Mr. Rodgers has notified the Company that he is submitting J. Daniel McCranie and Camillo Martino (the “Rodgers Nominees”) for election to the Company’s Board of Directors (the "Board") at the 2017 Annual Meeting. This section outlines material discussions and contacts the Company has had with Mr. Rodgers and his affiliates and representatives and other relevant events from March 12, 2015 to April 19, 2017.

On March 12, 2015, H. Raymond Bingham was appointed as director and Chairman of the Board of the Company in connection with the completion of the Company’s merger with Spansion Inc.

In February 2016, the Company's management team, in consultation with the Company’s financial and legal advisors, evaluated a potential business combination transaction with Lattice Semiconductor Corporation (“Lattice”) and ultimately decided not to pursue this transaction. In light of this decision, the Board did not review (or vote on) a potential transaction with Lattice, as it was not considered a viable acquisition opportunity. Mr. Rodgers was both a member of the Board and Chief Executive Officer of the Company at this time.

On April 24, 2016, Mr. Rodgers attended a dinner with directors Ray Bingham and Wilbert van den Hoek and one of the Company’s outside counsel. At this dinner, Mr. Rodgers was informed that, among other things, major stockholders were unhappy with the direction in which the Company was headed, the Company’s operational performance was below expectations, and the Board had unanimously (along with members of the Company’s executive team) expressed a desire for a change in management, including that Mr. Rodgers be replaced as President and Chief Executive Officer of the Company immediately. During the course of the dinner and after conveying this message to Mr. Rodgers, Mr. Rodgers threatened the directors, telling them that in a matter of weeks he would be back, and they would be out of the Company as directors.

On April 28, 2016, Mr. Rodgers stepped down as President and Chief Executive Officer of the Company.

On August 10, 2016, the Board, which included Mr. Rodgers at the time, voted unanimously (with Mr. Bingham abstaining) to approve Mr. Bingham’s appointment as Executive Chairman of the Company and his compensation package. Mr. Bingham’s compensation was established by the Board working with an independent compensation advisor. Thereafter, Mr. Rodgers resigned as a member of the Board and as Technical Advisor to the Company.

In September 2016, following another outreach by Lattice’s financial advisor, the Company’s Chief Financial Officer again declined to pursue a business combination transaction with Lattice, consistent with the Company’s previous response.

On November 3, 2016, Lattice announced that it had agreed to be acquired by Canyon Bridge Capital Partners (“Canyon Bridge”). While Mr. Bingham had reached an understanding to join Canyon Bridge’s founding team in October 2016, and the Lattice / Canyon Bridge press release announcing the transaction prematurely referred to Mr. Bingham as a Founding Partner of Canyon Bridge, Mr. Bingham had not joined Canyon Bridge at the time the Lattice transaction was announced, and would not officially join until December 2016.

The following day, on November 4, 2016, the Board held a meeting, during which the independent directors of the Board discussed and evaluated Mr. Bingham’s continued role as Executive Chairman and determined that Mr. Bingham should continue his role as Executive Chairman until the Board determines the role is no longer needed, and that the Board would continue to monitor the need for this role. As discussed below, the Board determined, at a meeting held on January 13, 2017, that there was no corporate opportunity concern with regard to Lattice. Mr. Bingham has confirmed to the Board that he was not involved in sourcing the Lattice transaction, performing due diligence or negotiating the terms of the deal whereby Lattice agreed to be acquired by Canyon Bridge.

On November 23, 2016, the Company received a letter from California State Teachers' Retirement System ("CalSTRS") containing a stockholder proposal for the 2017 Annual Meeting that the Company amend its charter documents to implement a majority voting standard in uncontested director elections, with a plurality voting standard in contested director elections.

On December 1, 2016, Mr. Rodgers emailed a letter to Mr. Bingham, copying the Board, advocating for an elimination of the Executive Chairman position which he, together with the other directors of the Board, had unanimously approved (with Mr. Bingham abstaining) less than four months earlier.

On December 9, 2016, Mr. Rodgers sent another letter to the Board asking that the Board take action to address purported conflicts of interest involving Mr. Bingham serving as Executive Chairman of the Company and as a partner of Canyon Bridge.

On December 12, 2016, following discussions with CalSTRS, the Company sent a letter informing CalSTRS that the Company's Board, at its first scheduled meeting in 2017, would consider CalSTRS’s November 23 proposal in connection with eliminating cumulative voting in director elections, and, if approved by the Board, intended to submit such proposal, along with a proposal to eliminate cumulative voting, to the Company's stockholders for approval.

On December 14, 2016, the Company received a letter from CalSTRS withdrawing its November 23 proposal on the basis of the Company's intention to replace cumulative voting with majority voting in director elections and to submit such items for consideration by the Company's stockholders at the 2017 Annual Meeting.

On December 19, 2016, the Board held a meeting to consider Mr. Rodgers' December 9 letter. At this meeting, the independent directors of the Board determined that there was no such conflict of interest with respect to Lattice, since the Company had already determined that it was not interested in acquiring Lattice. In order to ensure that it was handling any potential conflicts of interest that would arise in the future appropriately, the Board adopted formal guidelines for evaluating potential conflict of interest situations involving directors, including re-affirming Section B.7 of the Company's Corporate Governance Guidelines, which states, in part, "The Board does not believe that directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating and Corporate Governance Committee, to review the circumstances to determine whether continued Board membership is appropriate, and recommend to the Board the appropriate course of action."

On January 13, 2017, the Board, at its first scheduled meeting in 2017 considered, among other things, replacing cumulative voting in the election of directors with a majority voting standard in uncontested elections and a plurality voting standard in contested elections. The Board also discussed: (a) Mr. Bingham's involvement with Canyon Bridge, (b) that there was no corporate opportunity concern with regard to Lattice, and (c) the current executive structure with Mr. Bingham serving as Executive Chairman and Mr. El-Khoury serving as President and Chief Executive Officer; and the ideal length of time for Mr. Bingham to continue to serve as Executive Chairman. At this meeting Mr. Bingham offered to arrange a call between a representative of the Board and the Managing Partner of Canyon Bridge, including their respective counsels. The Board agreed and directed Mr. Benhamou and outside counsel to participate in such call, which occurred on January 23, 2017.

On January 19, 2017, the Company received from Mr. Rodgers a demand letter pursuant to Section 220 of the Delaware General Corporation Law (the "Demand") for the Company's books and records.

On January 24 and January 26, 2017, the Board held meetings to consider the Demand and the Company's proposed response. On January 26, 2017, the Company sent a letter rejecting the Demand for information other than the Company's stockholder list and related materials. The Company's response letter explained that Mr. Rodgers was not entitled to inspect the Company's books and records since he did not set forth in his Demand a credible basis to infer that a non-exculpated breach of fiduciary duty had occurred, as required by Delaware law. The Company's response letter also informed Mr. Rodgers that, under Delaware law, speculation and conjecture does not amount to a "credible basis."

On January 30, 2017, Mr. Rodgers filed a complaint in the Delaware Court of Chancery to compel production of the Company's books and records (the "220 Complaint"). For more information regarding the 220 Complaint, please see the Section of this Proxy Statement titled *Certain Legal Proceedings*.

On February 3, 2017, the Company received from Mr. Rodgers a notice of his intention to nominate the Rodgers Nominees for election to the Board at the 2017 Annual Meeting.

On February 6, 2017, the Company's counsel, on behalf of the Company's Nominating and Corporate Governance Committee, contacted Mr. Rodgers' counsel to request interviews with the Rodgers Nominees. From February 6 to February 9, 2017, members of the Board conducted interviews with the Rodgers Nominees, and the Board held meetings on February 7 and February 10, 2017 to discuss such interviews.

On February 10, 2017, the Company proposed a settlement with Mr. Rodgers to expand the Board from seven to eight directors and appoint Mr. McCranie to the Board prior to the 2017 Annual Meeting, in exchange for Mr. Rodgers' dismissal of the 220 Complaint and entry into a customary agreement containing standstill and non-disparagement provisions.

On February 13, 2017, Mr. Rodgers rejected the Company's settlement proposal. The following day, the Board held a meeting to discuss Mr. Rodgers' rejection and next steps.

On February 16, 2017, the Board held a meeting. At this meeting, the Board approved an amendment to the Company's Second Restated Certificate of Incorporation (the "Certificate of Incorporation") to eliminate cumulative voting in the election of directors, subject to stockholder approval. In accordance with the Company's correspondence with CalSTRS, the Board also approved an amendment to the Company's bylaws to adopt a majority vote standard for the election of directors in uncontested elections and a plurality vote standard in contested elections, which would become effective upon stockholder approval of the proposal to eliminate cumulative voting. The Board also approved a bylaw amendment to implement "proxy access," permitting stockholders to include stockholder-nominated director candidates in the Company's proxy materials, which would also become effective upon stockholder approval of the proposal to eliminate cumulative voting.

On February 17, 2017, the Company filed a preliminary consent solicitation statement with the Securities and Exchange Commission (the “SEC”), seeking stockholder consent for the amendment to the Certificate of Incorporation to eliminate cumulative voting. Later that day, Mr. Rodgers issued a press release announcing his nomination of the Rodgers Nominees. That same morning, prior to the opening of trading, the Company issued a press release announcing the filing of the Company’s preliminary consent solicitation statement and Mr. Rodger’s rejection of the Company’s settlement proposal.

On February 23, 2017, Mr. Rodgers, together with the Rodgers Nominees, issued a press release that included a letter to the Board, commenting on the Company’s consent solicitation, among other things.

On February 28, 2017, the Company filed a definitive consent solicitation statement with the SEC, which was mailed to stockholders of record on or about March 1, 2017 along with a letter. Among other things, this letter:

- corrected numerous misstatements made by Mr. Rodgers’ in his various public filings and his 220 Complaint, relating to the alleged conflict of interest involving Mr. Bingham, including by setting straight the sequence of events of the Lattice transaction and Mr. Bingham’s onboarding at Canyon Bridge;
- explained that Mr. Rodgers himself approved Mr. Bingham’s appointment as Executive Chairman and his compensation; and
- emphasized the need to insulate the Company and its stockholders from Mr. Rodgers’ attempt to regain influence and pursue his personal agenda after being forced out of the Company.

On March 7, 2017, Mr. Rodgers filed a preliminary consent information statement with the SEC, purporting to provide additional information relating to the Company’s solicitation of consents to amend its Certificate of Incorporation to eliminate cumulative voting. Mr. Rodgers did not make any recommendation with respect to the Company’s proposed amendment to its Certificate of Incorporation to eliminate cumulative voting.

On March 13, 2017, Mr. Rodgers filed an investor presentation with the SEC addressing the Company’s consent solicitation to eliminate cumulative voting and providing information regarding the Rodgers Nominees, among other things. Also on that date, Mr. Rodgers issued a press release announcing the filing of his investor presentation, and sent an email letter to certain holders of the Company’s common stock, linking to Mr. Rodgers’ investor presentation and urging such holders to vote for the Rodgers Nominees.

On March 14, 2017, Mr. Rodgers filed a preliminary proxy statement relating to the 2017 Annual Meeting. Also on March 14, 2017, Mr. Rodgers issued a press release announcing the filing of his preliminary proxy statement, reiterating that he was not making any recommendation with respect to the Company’s consent solicitation, and indicating that he would vote his shares “in proportion with the Company’s other stockholders.”

On March 15, 2017, Mr. Rodgers issued a press release announcing that the Rodgers Nominees will run against Mr. Bingham and Mr. Benhamou in the election of directors at the 2017 Annual Meeting.

On March 20, 2017, Mr. Rodgers filed a definitive consent information statement with the SEC relating to the Company’s consent solicitation to eliminate cumulative voting.

On March 22, 2017, Mr. Rodgers issued a press release that included a letter to the independent directors of the Company, requesting that the Board announce a date for the 2017 Annual Meeting.

On March 23, 2017, the Company received consents from holders of a majority of its outstanding shares of common stock to approve the Company’s proposal to amend its Certificate of Incorporation to eliminate cumulative voting, and subsequently filed the requisite amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware. Also on that date, amendments to the Company’s bylaws to adopt proxy access, as well as a majority voting standard for uncontested director elections, and a plurality voting standard for contested director elections, became effective. On the same day, the Company issued a press release announcing the completion of the Company’s consent solicitation to eliminate cumulative voting and the effectiveness of the bylaw amendments, and providing information regarding the Company’s seven director nominees. Also on March 23, 2017, Mr. Rodgers issued a press release commenting on the Company’s completed consent solicitation.

On March 27, 2017, Mr. Rodgers issued a press release regarding a restricted stock unit award granted to Mr. Bingham on March 16, 2017.

On March 31, 2017, Mr. Rodgers issued a press release regarding the Company's annual analyst day.

On April 5, 2017, the Company filed a preliminary proxy statement relating to the 2017 Annual Meeting.

On April 10, 2017, Mr. Rodgers filed a definitive proxy statement relating to the 2017 Annual Meeting and issued a press release announcing the filing.

On April 11, 2017, the Company issued a press release that included a letter to the Company's stockholders, informing them that they did not need to take any immediate action in response to Mr. Rodger's proxy materials, and that the Company would be sending its proxy materials shortly.

On April 12, 2017, a trial was held in the Delaware Court of Chancery in connection with the 220 Complaint.

On April 17, 2017, the Delaware Court of Chancery issued a post-trial decision permitting Mr. Rodgers to inspect certain of the Company's books and records and conditioning that inspection on compliance with the terms of the confidentiality order ordered by the Court on March 15, 2017.

On April 18, 2017, the Company issued a press release regarding the Delaware Court of Chancery's post-trial decision.

On April 19, 2017, the Company filed this definitive Proxy Statement relating to the 2017 Annual Meeting.

CERTAIN LEGAL PROCEEDINGS

On January 19, 2017, Mr. Rodgers sent Cypress Semiconductor Corporation (the "Company") a demand letter pursuant to Section 220 of the Delaware General Corporation Law (the "Demand"), seeking to inspect certain Cypress books, records and stocklist materials, purportedly to investigate potential breaches of fiduciary duty by the Board and Mr. Bingham. The Demand repeated the same allegations relating to Mr. Bingham and Canyon Bridge that Mr. Rodgers made in his December 9 letter to the Board and the same allegations related to the elimination of the Executive Chairman position made in the December 1 letter. The Demand did not even attempt to set forth any basis from which to suspect wrongdoing by any of the Cypress directors other than Mr. Bingham. The Demand sought 18 categories of documents, most of which were overbroad and would be costly and burdensome for the Company to produce.

On January 26, 2017, the Company agreed to produce the requested stocklist materials, directed Mr. Rodgers to certain requested materials that were publicly available and otherwise denied Mr. Rodgers' request for books and records. The Company explained to Mr. Rodgers that he "[was] not entitled under Delaware law to inspect the Company's books and records for his remaining stated purposes because he has set forth no credible basis to infer that a non-exculpated breach of fiduciary duty has occurred." Specifically, the Company explained that Mr. Rodgers' "speculation and conjecture" set forth in the Demand did not satisfy the "credible basis" standard required by Delaware law. The Company also informed Mr. Rodgers that they were "willing to discuss any of the foregoing points" with Mr. Rodgers.

Mr. Rodgers ignored the Company's invitation, and on January 30, 2017, Mr. Rodgers filed the 220 complaint (the "220 Complaint") in the Delaware Court of Chancery (the "220 Litigation").

On February 20, 2017, the Company filed its answer and affirmative defenses to the 220 Complaint. On March 24, 2017, the parties agreed to an April 12, 2017 trial date, subject to the approval of the Court of Chancery and the entry of a scheduling order for the 220 Litigation.

On February 22, 2017, the Company served interrogatories and requests for production of documents on Mr. Rodgers. Mr. Rodgers provided written interrogatory responses and produced documents in response to these requests; however, many of the documents he produced were redacted and many more were withheld on privilege grounds.

On March 6, 2017, Mr. Rodgers served requests for production of documents and a notice of deposition on the Company. On March 10, 2017, the Company denied Mr. Rodgers' requests, explaining to Mr. Rodgers that, as a matter of Delaware law, he was not entitled to such requests in the context of a Delaware Section 220 action. On March 16, 2017, Mr. Rodgers filed a Motion to Compel. Thereafter, the Court informed the parties that it could not schedule a hearing on Mr. Rodgers' Motion to Compel in advance of the April 12, 2017 trial date. The parties were further advised that the earliest available trial date, if a trial was not held on April 12, 2017, would be in the first week of May 2017. Thereafter, Mr. Rodgers withdrew his Motion to Compel.

On March 27, 2017, the Company filed a Motion to Compel the production of books and records improperly withheld on the purported grounds of "business strategy privilege."

The Company deposed Mr. Rodgers on March 28, 2017. On April 4, 2017, Mr. Rodgers agreed to produce certain documents withheld on the purported grounds of "business strategy privilege" in order to resolve the Company's pending Motion to Compel. The Company withdrew the Motion to Compel as a result.

On April 12, 2017, the Delaware Court of Chancery held a half-day trial on the Demand.

On April 17, 2017, the Delaware Court of Chancery issued a post-trial decision permitting Mr. Rodgers to inspect certain of the Company's books and records and conditioning that inspection on compliance with the terms of the confidentiality order ordered by the Court on March 15, 2017.

Proxy Statement

PROPOSAL ONE

ELECTION OF DIRECTORS

Seven directors are to be elected to Cypress's Board of Directors (the "Board") at the 2017 Annual Meeting. Proxies can only be voted for the number of nominees named in this Proxy Statement. All directors are elected annually and serve a one-year term until the next annual meeting, with each director to hold office until his successor is duly elected and qualified or until his earlier death, resignation or removal. If you submit a signed **WHITE** proxy card that does not specify how you wish to vote, your shares will be voted "FOR" all seven director nominees named below. 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 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. There are no arrangements or understandings between any nominee and any other person pursuant to which he was selected as a director or a nominee. All nominees are standing for re-election except for Hassane El-Khoury, who was appointed as a director by the Board on August 10, 2016 and is standing for election for the first time.

Our Board members are encouraged, but are not required, to attend annual meetings of stockholders. All of our Board members attended our annual meeting of stockholders in fiscal year 2016.

Except as set forth below, each of the nominees has been engaged in his principal occupation during the past five years. There are no family relationships among our directors and executive officers.

W. Steve Albrecht is the Gunnell Endowed Professor of Accounting and a Wheatley Fellow at Brigham Young University (BYU). He served as the associate dean of the Marriott School of Management until July 2008. Mr. Albrecht, a certified public accountant, certified internal auditor, and certified fraud examiner, joined BYU in 1977 after teaching at Stanford University and the University of Illinois. Prior to becoming a professor, he worked as an accountant for Deloitte & Touche, an accounting firm. Mr. Albrecht is the past president of the American Accounting Association and the Association of Certified Fraud Examiners. He is a former trustee of the Financial Accounting Foundation that provides oversight to the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board. He is also a former member of COSO, the organization that developed the internal control framework used by most companies. He has consulted with numerous corporations on fraud, controls and financial reporting issues. He has been an expert witness in several large financial statement fraud cases. Mr. Albrecht authored a text on corporate governance and boards of directors and teaches the same topics to MBA students at BYU. In 2013 he was included in the NACD Directorship 100, being named one of the top 50 Corporate Directors in America. Mr. Albrecht holds a bachelor of science degree from BYU, a master's degree in business administration and a doctorate degree in accounting from the University of Wisconsin.

Qualifications: Extensive experience with financial accounting & reporting and compliance, especially with respect to multi-national companies

Other Public Directorships: Red Hat, SkyWest, Inc.

Former Public Directorships: SunPower Corporation

Age: 70

Director Since: 2003

Eric A. Benhamou is the former chairman of the Board and a current director of Cypress. He is also the former chairman of the board of 3Com Corporation, a digital electronics manufacturer best known for its computer network infrastructure products. He served as chief executive officer of Palm, Inc., a personal digital assistant and smartphone manufacturer, from October 2001 until October 2003 and as chairman until October 2007. He also served as chief executive officer of 3Com from 1990 until the end of 2000. Mr. Benhamou co-founded Bridge Communications, an early networking pioneer, and was vice president of engineering until its merger with 3Com in 1987. Mr. Benhamou is currently a member of the board of directors of Finjan Holdings and serves on its audit committee. He is also a member of the board of directors of Silicon Valley Bank and serves on its finance committee. Until 2014, he served on the Stanford University School of Engineering board and as vice chairman of the board of governors of Ben Gurion University of the Negev. He is the managing director of Benhamou Global Ventures, a venture capital firm he established in 2003. Mr. Benhamou has extensive corporate governance experience. Mr. Benhamou holds a master of science degree from Stanford University's School of Engineering and a diplôme d'ingénieur and doctorate from Ecole Nationale Supérieure d'Arts et Métiers, Paris.

Qualifications: Engineering expertise; extensive experience managing public companies in the technology sector; expertise in venture and other financial transactions

Other Public Directorships: Silicon Valley Bank, Finjan Holdings

Former Public Directorships: 3Com Corporation, Palm, Inc., Netscape, Real Networks

Age: 61

Director Since: 1993

H. Raymond Bingham is the Executive Chairman of our board of directors. He was appointed to this role in August 2016. Mr. Bingham previously served as the chairman of our board of directors, and prior to that as the chairman of the board of Spansion Inc. from 2010 to 2015. In December 2016, Mr. Bingham formally joined Canyon Bridge Capital Partners, a global private equity investment firm, as a partner. In January 2016, Mr. Bingham joined Riverwood Capital Management, a private equity firm that invests in high growth technology companies, as an Advisory Director. Prior to joining Riverwood Capital, Mr. Bingham was an advisory director with General Atlantic LLC, a global private equity firm, from 2010 to 2015 and a managing director from 2006 to 2009, leading the firm's Palo Alto office. From 1993 to 2005, Mr. Bingham served in executive management roles at Cadence Design Systems, Inc., the world's leading electronic design automation (EDA) software company. He served as a director of Cadence from 1997 to 2005, and was named executive chairman in 2004. Prior to being named executive chairman, he served as president and chief executive officer of Cadence from 1999 to 2004 and as executive vice president and chief financial officer from 1993 to 1999. During Mr. Bingham's tenure as chairman and CEO of Cadence, he helped grow that company's industry leadership through a series of strategic acquisitions, organic research and development and venture investments. Mr. Bingham also directed Cadence's global expansion in China, India and Russia.

Mr. Bingham serves as the chairman of the board of Flextronics International Ltd. and of the board of TriNet Group, Inc. In 2009, Mr. Bingham was awarded the Outstanding Directors Award by the Financial Times and the Outstanding Directors Exchange. He helped found and serves as a director of the Silicon Valley Education Foundation and is a board member of the National Parks Conservation Association. In 2015, Mr. Bingham became a trustee of the United States Olympic Committee.

Mr. Bingham received a master of business administration degree from the Harvard Business School and a bachelor of science degree in economics (with honors) from Weber State University. In addition, he was awarded an honorary doctorate of humanities from Weber State University.

Qualifications: Extensive senior leadership and governance experience, with more than 30 years in high tech, and real estate development, with accomplishments in mergers and acquisitions, global trade and venture capital; extensive and significant senior leadership, industry and financial experience; service as a public company director since 1979

Other Public Directorships: Flextronics International Ltd., TriNet Group, Inc.

Former Public Directorships: DHI Group, Inc. (formerly known as Dice Holdings, Inc.), Fusion-io, Cadence Design Systems, Oracle Corporation, STMicroelectronics, Spansion Inc.

Age: 71

Director Since: 2015

Hassane El-Khoury has served as the president and chief executive officer of Cypress since August 2016. He was previously executive vice president of Cypress's Programmable Systems Division (from 2012 to 2016), managing the company's standard and programmable microcontroller portfolio, including its Platform PSoC family of devices, and its automotive business. Prior to that, from 2010 to 2012, he served as a senior director of Cypress's automotive business unit. Prior to joining Cypress, Mr. El-Khoury served in various engineering roles with subsystem supplier Continental Automotive Systems, where he spent time based in the U.S., Germany and Japan. He holds a bachelor of science degree in electrical engineering from Lawrence Technological University and a master's degree in engineering management from Oakland University.

Qualifications: Extensive product development and technology experience; leadership and operational management skills; and a wealth of experience with the automotive industry

Other Public Directorships: None

Former Public Directorships: None

Age: 37

Director Since: 2016

Oh Chul Kwon served as chief executive officer of SK Hynix Semiconductor, a South Korean memory semiconductor supplier of dynamic random access memory (DRAM) chips and flash memory chips, from 2010 to 2013. Following his retirement from SK Hynix in 2013, Mr. Kwon has continued to serve as a senior advisor of SK Hynix. Mr. Kwon spent almost 30 years at SK Hynix (formerly Hyundai Electronics) in a number of executive roles, including President of Hynix Neumonics Semiconductor, a joint venture between SK Hynix and ST Microelectronics, in Wuxi, the People's Republic of China, from 2009 to 2010, and senior vice president of strategic planning and corporate relations of SK Hynix Semiconductor from 2003 to 2009. Mr. Kwon also served on the board of directors of SK Hynix from 2006 to 2013 and of Spansion Inc. from 2014 to 2015. Mr. Kwon has served as an economic advisor to the Jiangsu Provincial Government, People's Republic of China, since 2011, and as chairman of the Korea Semiconductor Industry Association from 2011 to 2013. Mr. Kwon holds a bachelor of arts degree in international economics from Seoul National University, South Korea.

Qualifications: Significant senior leadership, industry, financial and operational experience; international experience; extensive business development experience in the semiconductor industry

Other Public Directorships: None

Former Public Directorships: Spansion Inc.

Age: 58

Director Since: 2015

Wilbert van den Hoek retired from Novellus Systems, Inc., a semiconductor equipment manufacturer, in 2008, where he was executive vice president and chief technology officer. He also served as president and chief executive officer of Novellus Development Company, LLC, a wholly-owned subsidiary of Novellus Systems, Inc. from 2005 until 2008. He joined Novellus Systems, Inc. in 1990 and served in various senior executive positions until his retirement in 2008. From 1980 to 1990, he held various positions at Philips Research Laboratories, a global organization that helps introduce meaningful innovation to improve people's lives. From 2004 until 2006 when the company went public, he served on the board of directors of Neah Power Systems, Inc., a developer of innovative, long-lasting, efficient and safe power solutions for military, transportation and portable electronics applications. Since 2005, he has served on the technical advisory boards of various organizations, including Cavendish Kinetics, Inc., a fabless supplier of tunable components for RF circuits, Innopad, Inc., a manufacturer of polishing pads for use in semiconductor manufacturing, Innovent Technologies, LLC, a manufacturer of customized substrate handling products for the semiconductor, LED and solar panel industries, and Process Relations, an independent software vendor and consulting company specializing in supporting customers develop and transfer high-tech manufacturing processes in various markets including the semiconductor market. Mr. van den Hoek received a doctorandus degree cum laude in chemistry from the Rijks Universiteit Utrecht, The Netherlands.

Qualifications: Extensive experience as a senior executive, consultant and director in the semiconductor industry and other high technology companies; thorough understanding of semiconductor industry business models and competition

Other Public Directorships: None

Former Public Directorships: Intermolecular, Inc.

Age: 60

Director Since: 2011

Michael S. Wishart served as a managing director and advisory director of Goldman, Sachs & Co. from 1999 until he retired in June 2011. Since his retirement, Mr. Wishart has provided strategic and business consulting as the president of Roehampton Road, LLC and since June 2015, he has served as chief executive officer of efabless corporation, an early stage company creating a platform for community-based design of semiconductors. From 1991 to 1999, he served as managing director, including as head of the global technology investment banking group for Lehman Brothers. From 1978 to 1992 he held various positions in the investment banking division at Smith Barney, Harris Upham & Co. Mr. Wishart holds a bachelor of science from St. Lawrence University and a masters in business administration from the Stanford Graduate School of Business. He served on the board of directors of Spansion Inc. from 2013 to 2015.

Qualifications: Extensive experience advising technology companies as an investment banker

Other Public Directorships: None

Former Public Directorships: Spansion Inc., Brooktree Corporation

Age: 62

Director Since: 2015

In addition to the biographical information above regarding each nominee's specific experience, attributes, positions and qualifications, we believe that each of our director nominees currently serving as a director has performed his duties with critical attributes such as honesty, integrity, diligence and an adherence to high ethical standards. Furthermore, each of our current directors has demonstrated strong business acumen and an ability to exercise sound judgment, as well as a commitment to the Company and its core values. Finally, we value their significant leadership and experience on other public company boards and board committees.

Required Vote

Stockholders are not entitled to cumulate votes in the election of directors. Our bylaws provide that, in an uncontested election, each director would be elected by a majority of votes cast. A "majority of votes cast" means the number of shares voted "FOR" a director exceeds the number of shares voted "AGAINST" that director. The majority voting standard does not apply, however, in a contested election. An election is deemed to be contested if the Secretary of the Company receives a notice that a stockholder has nominated a person for election to the Board in compliance with the advance notice or proxy access requirements for stockholder nominees for director set forth in Sections 2.15 or 2.16 of our bylaws, respectively, and the nomination has not been withdrawn by such stockholder on or prior to the tenth day preceding the date the Company first mails its notice of meeting for the annual meeting of stockholders. In such circumstances, directors are instead elected by a plurality of the votes cast, meaning that the seven nominees receiving the highest number of affirmative votes of the shares present or represented and entitled to vote shall be elected as directors to serve until our next annual meeting, with each director to hold office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Because the number of nominees timely nominated for election at the Annual Meeting exceeds the number of directors to be elected at the Annual Meeting, the election of directors at the Annual Meeting is a contested election. As a result, directors will be elected by a plurality of the votes cast at the Annual Meeting, meaning that the seven nominees receiving the most votes will be elected. Only votes cast "FOR" a nominee will be counted, and votes withheld from this proposal are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no further legal effect under Delaware law.

☑ THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION TO THE BOARD OF EACH OF THE NOMINEES NAMED ABOVE BY SIGNING AND RETURNING THE WHITE PROXY CARD OR VOTING INSTRUCTION FORM.

THE BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY GOLD PROXY CARD OR VOTING INSTRUCTION FORM SENT TO YOU BY OR ON BEHALF OF MR. RODGERS.

PROPOSAL TWO

RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board, upon recommendation of the Audit Committee, has reappointed the firm of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, subject to ratification by our stockholders.

PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since 1982. A representative of PricewaterhouseCoopers LLP is expected to be present at the 2017 Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will also be available to respond to appropriate questions.

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirements. However, the Board is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice.

If the stockholders fail to ratify the selection of our independent registered public accounting firm, the Audit Committee and the Board will reconsider whether or not to retain the 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 the best interest of Cypress and its stockholders.

All fees billed to Cypress by PricewaterhouseCoopers LLP for fiscal years 2015 and 2016 were pre-approved by the Audit Committee and were as follows:

Services	2015	2016
Audit Fees	$5,740,000	$6,347,211
Audit-Related Fees	$17,000	$625,000
Tax Fees	$1,790,000	$1,507,144
All Other Fees	—	—
Total	**$7,547,000**	**$8,479,355**

Audit Fees. Includes fees associated with the annual audit of our financial statements and internal control over financial reporting in compliance with regulatory requirements under the Sarbanes-Oxley Act, review of our quarterly reports on Form 10-Q, annual report on Form 10-K and periodic reports on Form 8-K, consents issued in connection with our Form S-8 filings, assistance with and review of other documents we file with the Securities and Exchange Commission (the "SEC"), and statutory audits required internationally. The fees for fiscal year 2015 include fees related to business combination accounting for our merger with Spansion Inc. (“Spansion”) in the first quarter of fiscal year 2015.

Audit-Related Fees. Audit-related services principally include employee benefit plan audits and accounting consultations not associated with the regular audit.

Tax Fees. Includes fees for tax compliance (tax return preparation assistance and expatriate tax services), general tax planning, tax-related services for acquisitions, and international tax consulting. The fees for fiscal year 2015 include fees related to our merger with Spansion in the first quarter of fiscal year 2015.

Audit Committee Pre-Approval Policy

The Audit Committee has adopted a policy that requires advance approval of all audit services, audit-related services, tax, and other services performed by the Company’s independent registered public accounting firm. With the exception of certain de-minimis amounts, unless the specific service has been previously pre-approved with respect to that fiscal year, the Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform such services for Cypress.

Required Vote

The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting will be required to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

☑ THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

PROPOSAL THREE

ANNUAL ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Act enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers (our "NEOs") as disclosed in this Proxy Statement in accordance with Securities and Exchange Commission (the "SEC") rules. We are providing this proposal for the vote of our stockholders pursuant to Section 14A of the Securities Exchange Act of 1934 (the "Exchange Act").

At our 2011 Annual Meeting, as recommended by our Board of Directors (the "Board"), a majority of our stockholders voted in favor of including an annual advisory vote to approve the compensation of our NEOs identified in our proxy statement (also known as “say-on-pay”) to be held at each annual meeting of stockholders. Therefore, we have included Proposal 3 in this Proxy Statement to provide our stockholders with a non-binding advisory, or “say-on-pay,” vote relating to the compensation of our NEOs as disclosed in this Proxy Statement. Your vote on this proposal will provide us with valuable insight into our stockholders' view on our compensation practices pertaining to our NEOs.

Our executive compensation programs are designed to attract, motivate, and retain our NEOs, who are critical to our success and have played material roles in our ability to drive strong financial results and attract and retain an experienced, successful team to manage our Company. Under these programs, our NEOs are rewarded for achieving specific short- and long-term strategic and corporate goals, and for realizing increased stockholder value. Please read the “*Compensation Discussion and Analysis (CD&A)”* section of this Proxy Statement for additional details about our executive compensation programs, specifically information about the fiscal year 2016 compensation of our NEOs.

The Compensation Committee continually reviews the compensation programs for our NEOs to ensure they achieve the desired goal of aligning our executive compensation structure with our stockholders’ interests and with current market practices. We have held stockholder advisory votes to approve the compensation of our NEOs annually since 2011. The recommendation provided by Institutional Shareholder Services and Glass Lewis (the two primary independent proxy advisory firms) and the overall approval rating by our voting stockholders for the last two proxy years is set forth below:

Proxy Year	Stockholder Approval Rating	ISS Recommendation	Glass Lewis Recommendation
2016	90%	FOR	FOR
2015	97%	FOR	FOR

In fiscal year 2016, we gave no base salary increases to our NEOs (other than to our newly appointed CEO), the annual cash-based incentive program paid out at 43% of salary or less, and only two of five of the fiscal year 2016 performance goals for our long-term performance-based equity awards was achieved. We believe this demonstrates that our compensation program and incentive plans are functioning as intended, resulting in alignment between realized pay and Company performance. Please refer to the “*Compensation Discussion and Analysis ("CD&A)*” section of this Proxy Statement for additional details.

This proposal, commonly known as a “say-on-pay” proposal, gives our stockholders the opportunity to express their views on our NEOs’ compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask our stockholders to vote “FOR” the following resolution at the Annual Meeting:

> “RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the 2017 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2016 Summary Compensation Table and the other related tables and disclosure pursuant to Item 402 of Regulation S-K.”

The “say-on-pay” vote is advisory, and therefore not binding on the Company, our Compensation Committee or our Board. Our Board and our Compensation Committee value the opinions of our stockholders. To the extent there is any significant vote against the NEO compensation as disclosed in this Proxy Statement, we will seriously consider our stockholders’ concerns and our Compensation Committee will evaluate whether any actions are necessary to address those concerns.

☑ THE BOARD OF DIRECTORS UNANIMOUSLY 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 SECURITIES AND EXCHANGE COMMISSION.

PROPOSAL FOUR

ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

Introduction

The Dodd-Frank Act also requires public companies to provide their stockholders with a non-binding vote to advise the Company on how often stockholders believe the Company should conduct a stockholder advisory vote on executive compensation, which we refer to as “say-on-pay.” This year's “say-on-pay” proposal can be found in Proposal 3. In accordance with the Securities and Exchange Commission's (the "SEC’s") rules, at least once every six years, stockholders must be given the opportunity to vote on one of four alternatives concerning how frequently the Company should have a “say-on-pay” vote: every year, every two years, every three years or abstain from voting. We are providing this stockholder advisory vote in accordance with Section 14A of the Exchange Act.

Our Board’s Recommendation

Our Board of Directors (the "Board") recommends that you vote in favor of advising the Company to conduct a “say-on-pay” vote every year at each annual meeting of stockholders. Our Board values continuing, constructive feedback from our stockholders on executive compensation and other important corporate governance topics. The Board believes that an annual vote will continue to provide valuable feedback on executive compensation. The Board further believes that an annual vote makes the most sense for the Company because the Compensation Committee evaluates the compensation of our named executive officers ("NEOs") on an annual basis (as described in detail in the *Compensation Discussion & Analysis* section of this Proxy Statement). In addition, our Board believes that an annual vote will foster strong communication from our stockholders to the Board and the Compensation Committee. An annual “say-on-pay” vote offers a strong mechanism for stockholders to provide ongoing input on how the Company compensates its NEOs and about how stockholders view the Company’s compensation practices and policies.

Advisory or Non-Binding Effect of Vote

Under the Dodd-Frank Act and the related SEC rules, this vote is an advisory, or “non-binding”, vote. The purpose of an advisory vote is to provide stockholders with a mechanism to provide input to the Board about certain issues. The Board is not required by law to act on or otherwise implement the vote frequency receiving the most votes cast and is permitted to choose to hold a “say-on-pay” vote on a different schedule. However, the Board values our stockholders’ opinions and will take into account the results of this vote in determining how often the Company should conduct a stockholder advisory vote to approve executive compensation.

How to Vote

You have four choices as to how to vote on this proposal. You may cast your vote on your preferred voting frequency by choosing the option of one year, two years or three years, or you may abstain from voting when you vote in response to this proposal.

☑ THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS AN ADVISORY VOTE FOR A FREQUENCY OF “ONE YEAR” FOR FUTURE NON-BINDING STOCKHOLDER VOTES TO APPROVE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION.

PROPOSAL FIVE

AMENDMENT AND RESTATEMENT OF THE 2013 STOCK PLAN

The Cypress Semiconductor Corporation 2013 Stock Plan, amended as of March 2015 (the "Plan"), allows us to grant equity compensation awards to our employees, consultants, officers and directors. The Plan permits us to grant service-based awards and long-term performance-based awards, including grants under our performance accelerated restricted stock (PARS) program that we adopted in 2007, to retain and incentivize executives and key employees. As of April 10, 2017, the Plan had approximately 15 million total shares remaining available for grant. We are asking our stockholders to approve (i) an increase, in the amount of 15.5 million full-value shares (which is equal to 29.1 million total shares), to the number of shares available for grant and issuance under the Plan, and (ii) certain administrative and clerical changes to the Plan. We are also asking our stockholders to approve an extension to the term of the Plan to April 14, 2027.

If our stockholders do not approve this proposal, we will not be able to continue to offer competitive equity packages to retain our current employees and attract and hire new employees after fiscal year 2018. Additionally, we expect that we will not have sufficient shares available to grant awards to any of our NEOs beginning in fiscal year 2018. To fund our equity compensation program for approximately the next two years, and to continue to provide equity incentives to our employees at a competitive level, the Board recommends that our stockholders approve reserving an additional 29.1 million shares under the Plan, to bring the maximum number of shares authorized for issuance under the Plan to 203,635,220 million. The Plan contains a share fungibility provision whereby each full-value award, such as a restricted stock unit (RSU), issued from the Plan results in a debit to the Plan share reserve of 1.88 shares. Thus, if this proposal is approved, the additional 29.1 million total shares available for issuance would translate to a maximum of 15.5 million shares that could be issued as RSUs or other full-value awards.

Summary of the Proposal

Our Board approved the amendment and restatement of the Plan (the "Amended Plan") on April 15, 2017, subject to approval by our stockholders at the 2017 Annual Meeting. The Amended Plan increases the number of shares issuable under the Amended Plan by 29.1 million shares and includes certain administrative and clerical changes. We are also asking our stockholders to approve an extension to the term of the Plan to April 14, 2027. The Plan is currently scheduled to expire on January 15, 2024. We are not asking our stockholders to approve any other Plan amendment. This proposal summarizes why our stockholders should approve the Amended Plan. This summary is qualified in its entirety by reference to the actual text of the Amended Plan, set forth as <u>Appendix B</u> to this Proxy Statement.

The Plan is a Critical Element of our Compensation Policy

Our employees are our most valuable asset. Accordingly, approval of the Amended Plan is in the best interest of our stockholders, as equity awards granted under the Plan help us to:

- attract, motivate, and retain talented employees, consultants and non-employee directors;
- align employee and stockholder interests; and
- link employee compensation with company performance.

If this proposal is approved, the Compensation Committee (the "Committee") intends to allocate most of the shares under the Amended Plan to performance-based awards and restricted stock units.

If our stockholders do not approve the Amended Plan, our plans for growth could be significantly hampered and our ability to operate our business could be adversely affected. Furthermore, we may be compelled to instead offer material cash-based incentives to compete for talent, which could have a significant effect upon our quarterly results of operations and balance sheet. Moreover, failure to approve the Amended Plan would put us at a competitive disadvantage compared with most other technology companies.

Our success is largely due to our highly talented employee base. Our future success depends heavily on our ability to attract and retain high caliber employees, consultants and board members. The ability to grant equity awards is a necessary and powerful recruiting and retention tool for us to hire and motivate the quality personnel we need to move our business forward.

The broadening markets for our products and services, our broadening customer base, our geographic diversity and the increasing complexity of our products all drive requirements for a different skill set of employees and consultants that are in high demand, including design engineers, software engineers, analog engineers, system engineers, and technical sales personnel. A significant percentage of these personnel are granted equity awards annually. We face intense competition in attracting these professionals from traditional semiconductor companies to start-up companies, as well as from internet and social networking companies. The competition for talent is particularly intense in the Silicon Valley region, where our headquarters is located. In evaluating this proposal, the Company has considered the perspectives of a leading independent proxy advisory firm and of Pearl Meyer & Partners, an independent compensation consultant retained by the Committee.

The Plan Conforms to Best Practices

We designed the Plan to conform to best practices in equity incentive plans. For example, the Plan:

- prohibits equity award repricing without stockholder approval;
- does not permit options or stock appreciation rights to be granted with a term exceeding eight (8) years;
- permits the granting of full-value awards such as restricted stock and restricted stock units, which can be used in lieu of stock options to reduce the total number of our shares necessary to grant competitive equity awards;
- permits the granting of performance-contingent equity awards; and
- applies a fungible share design whereby each full-value award issued results in a debit to the Plan share pool of 1.88 shares.

Historical Equity Award Granting Practices

The following table reflects the Company's burn rate for the past three years. For purposes of the table below, the unadjusted burn rate is the number of shares granted in each fiscal year, including stock options and restricted stock, and actual performance shares delivered to Company employees and directors, divided by the weighted average common shares outstanding. The adjusted burn rate places a premium on grants of full-value awards using a multiplier (calculated by Institutional Shareholder Services) based on annual stock volatility. The most recent Institutional Shareholder Services-assigned multiplier for the Company is 2.0.

Year	Service-Based Grants Plus Performance-Based Shares Earned (Excludes Acquisition Related Grants)	
	Unadjusted Burn Rate	Adjusted Burn Rate
2016	2.29%	4.58%
2015	1.51%	3.02%
2014	4.19%	8.06%
Three-Year Average	2.66%	5.22%

In future years, the Company hopes to maintain a net burn rate below 3%.

The numbers in the table above are based on the grant numbers set forth below.

Year	Options Granted	Acquisition Related Service-Based Awards Granted/ Assumed[1]	Service-Based Awards Granted	Performance-Based Awards Granted	Performance-Based Awards Earned	Service-Based Granted Plus Performance-Based Shares Earned	Weighted Average Common Shares Outstanding
2016	—	4,900,000	4,796,000	1,200,000	2,100,000	6,896,000	319,522,000
2015	—	2,910,044	3,961,956	3,300,000	600,000	4,561,956	302,036,000
2014	522,000	—	3,744,000	2,600,000	2,400,000	6,144,000	159,031,000

1. Acquistion-related awards granted in fiscal year 2016 were granted in connection with the Company's acquistion of Broadcom's IoT business and acquisition-related awards granted in fiscal year 2015 were granted in connection with the Spansion Inc. merger.

Share Repurchase Program

On October 20, 2015, our Board approved a new share repurchase plan pursuant to which the Company is authorized to repurchase shares of Cypress common stock in an aggregate amount not to exceed $450 million. Through the end of fiscal year 2016, the Company had repurchased a total of 29.5 million shares for a total cost of $239.2 million under the October 2015 stock repurchase plan. Repurchase activity under the share repurchase plan can help mitigate any potential dilution from the issuance of new shares under the Company’s equity compensation plans. However, the share repurchase plan does not obligate the Company to repurchase any specific dollar amount or number of shares. In addition, there can be no assurance that the Company will continue to repurchase shares of our stock in any particular amounts, or at all.

Outstanding Equity Awards at Fiscal Year End
The Board believes the Amended Plan is in the best interests of our stockholders and is critical to the Company's ability to continue to attract and retain our employees and maintain the success of our compensation programs. The discussion above under "*The Plan is a Critical Element of Our Compensation Policy*," outlines some of the factors the Board considered in approving the Amended Plan.

Outstanding Equity Awards
Fiscal Year Ended
January 1, 2017

	Option Awards					Stock Awards			
Name and Principal Position[1]	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised/ Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock Unvested[2] (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)[4]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
Hassane El-Khoury President, Chief Executive Officer and Director[5]	4,450	—	—	10.47	8/10/2017	—	—	—	—
	4,300	—	—	6.17	3/19/2019	—	—	—	—
	1,339	—	—	2.72	11/20/2018	—	—	—	—
	2,472	—	—	5.55	7/8/2018	—	—	—	—
	927	—	—	6.70	8/8/2017	—	—	—	—
	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	21,494	245,891	—	—
	—	—	—	—	—	202,444	2,315,959	—	—
	—	—	—	—	—	807	9,232	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
Thad Trent Executive Vice President, Finance and Administration, Chief Financial Officer	14,334	5,668	—	11.55	5/30/2021	—	—	—	—
	13,067	2,934	—	11.27	12/18/2020	—	—	—	—
	17,000	—	—	6.17	3/19/2019	—	—	—	—
	—	—	—	—	—	27,000	308,880	—	—
	—	—	—	—	—	20,000	228,800	—	—
	—	—	—	—	—	40,000	457,600	—	—
	—	—	—	—	—	9,484	108,497	—	—
	—	—	—	—	—	2,667	30,510	—	—
	—	—	—	—	—	1,067	12,206	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
	—	—	—	—	—	—	—	36,000	411,840
	—	—	—	—	—	—	—	34,000	388,960
	—	—	—	—	—	—	—	68,000	777,920

Outstanding Equity Awards
Fiscal Year Ended
January 1, 2017

Name and Principal Position[1]	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised/ Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock Unvested[2] (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)[4]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
Dana C. Nazarian Executive Vice President, Operations & Technology	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	7,586	86,784	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
Joseph Rauschmayer Executive Vice President, Manufacturing	18,017	—	—	4.69	1/31/2020	—	—	—	—
	37,965	—	—	4.09	1/31/2019	—	—	—	—
	7	—	—	8.1	1/31/2018	—	—	—	—
	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	9,613	109,973	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
	—	—	—	—	—	—	—	9,100	104,104
Ray Bingham Executive Chairman	14,361	—	—	5.05	4/2/2019	—	—	—	—
	184,275	—	—	7.42	4/1/2018	—	—	—	—
	—	—	—	—	—	11,080	126,755	—	—
	—	—	—	—	—	121,466	1,389,571	—	—
	—	—	—	—	—	21,459	245,491	—	—
	—	—	—	—	—	7,440	85,114	—	—
T.J. Rodgers Former President, Chief Executive Officer and Director	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—

1. Mr. Rodgers resigned as President and CEO on April 28, 2016, but remained with the Company as a technical advisor and a director until August 10, 2016. In connection with Mr. Rodgers departure as President and CEO, the Board formed the Office of the President and Chief Executive Officer (OCEO), which consisted of Mr. El-Khoury, Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Mr. Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board.

2. In 2015 and 2016, grants to our NEOs, other than Mr. Bingham, were made under our PARS program. 43% of the 2016 PARS grants and 32% of the 2015 PARS grants were service-based grants. Please refer to the *"Compensation Discussion and Analysis ("CD&A)"* section of this Proxy Statement for additional details on our 2016 and 2015 PARS grants. Amounts in this column also include promotion grants made to Mr. El-Khoury and Mr. Bingham in August 2016 and grants made in November 2016 in lieu of a cash bonus payment under the Company's CIP program. For additional information on these grants, see the *Grants of Plan-Based Awards* table in the Executive Compensation tables below.

3. The amounts are based on the outstanding grants as of the end of fiscal year 2016 and a fiscal year ending value of $11.44 per share.
4. Represents the PSUs granted under our PARS program for meeting 100% of the applicable milestones, which milestones have included gross margin, new product, total stockholder return, synergy savings and earnings per share metrics.
5. Mr. El-Khoury's option grants expiring on July 8, 2018 and August 8, 2017 were awarded under our 2013 Stock Plan and reflect adjustments made, pursuant to the tax free spin-off of SunPower Corporation in which existing awards were multiplied by the SunPower spin-off ratio of 4.12022 to reflect the change in market value of the Company's common stock following the distribution to the Company's stockholders of SunPower Corporation class B common stock.

Plan Benefits

The number of awards that an employee or consultant may receive under the Plan is in the discretion of the Committee and therefore cannot be determined in advance.

The following table sets forth (a) the maximum number of shares subject to restricted stock units or performance stock units that could have been earned in fiscal year 2016 (and assumes 200% of target for performance stock units), (b) the maximum number of shares subject to options granted during fiscal year 2016, and (c) the fair market value on the grant date:

Name and Position	Maximum Number of Shares Subject to Restricted Stock Units or Performance Stock Units*	Maximum Number of Shares Subject to Stock Option Awards	Grant Date Fair Value ($)
Hassane El-Khoury President, Chief Executive Officer and Director	277,678	—	3,553,545
Thad Trent Executive Vice President, Finance & Administration, and Chief Financial Officer	262,134	—	3,250,104
Dana C. Nazarian Executive Vice President, Operations & Technology	258,000	—	3,321,580
Joseph Rauschmayer Executive Vice President, Manufacturing	314,494	—	3,761,387
Ray Bingham Executive Chairman	30,064	—	383,322
T.J. Rodgers Former President, Chief Executive Officer and Director	450,500	—	5,813,445
All executive officers, including the Named Executive Officers above, as a group	1,592,870	—	20,083,384
All directors who are not executive officers, as a group	102,972	—	1,374,972
All employees who are not executive officers, as a group	5,949,150	—	73,279,532

*Actual shares earned in fiscal year 2016 were less than the amounts set forth in this column. For additional information, see the *Compensation Discussion and Analysis* section of this Proxy Statement.

Summary of Material Terms of the Plan

Background and Purpose of the Amended Plan

The following is a summary of the principal features of the Amended Plan and its operation. However, the summary is qualified in its entirety by reference to the Plan, which is attached as Appendix B to this Proxy Statement.

The Plan is intended to (i) promote the long-term success of the Company's business, (ii) attract and retain the best available personnel for positions of substantial responsibility, and (iii) provide long-term incentives to employees, consultants, and non-employee directors that are aligned with the long-term interests of all stockholders.

Types of Awards Granted Under the Amended Plan

The Amended Plan will permit the grant of the following types of awards:

- incentive stock options;
- nonstatutory stock options;

- restricted stock and restricted stock units (which we refer to as full value awards); and
- stock appreciation rights.

Administration of the Amended Plan

The Committee administers the Plan and will continue to administer the Amended Plan. To make grants to certain of Cypress's officers and key employees, the members of the Committee must qualify as "non-employee" directors under Rule 16b-3 of the Securities Exchange Act of 1934 (the "Exchange Act"), and/or as "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (so that Cypress can receive a federal tax deduction for certain compensation paid under the Amended Plan).

Subject to the terms of the Amended Plan, the Committee has the sole discretion to select the employees, consultants, and non-employee directors who will receive discretionary awards, determine the terms and conditions of such awards (for example, the exercise price and vesting schedule), and interpret the provisions of the Amended Plan and outstanding awards. The Committee also has the authority to amend outstanding awards, including the authority to accelerate vesting or to extend an option's post-termination exercise period (but not beyond the original option term). The Board of Directors (the "Board") or the Committee may delegate any part of its authority and powers under the Amended Plan to one or more committees, subject to the requirements of applicable law.

No Re-Pricing Without Stockholder Approval

The Committee may not permit the re-pricing, including by way of exchange, of any award, without receiving prior approval from Cypress stockholders.

Shares Under the Amended Plan

As of January 1, 2017, the maximum aggregate number of shares of Cypress's common stock authorized for issuance under the Plan was 174,495,220. This number includes all the shares that have been allocated to the Plan since it was first created in 1994, of which approximately 19.3 million shares remained available for issuance as of the same date. If the proposal to approve the Amended Plan is approved, the number of shares authorized under the Amended Plan will be increased by 29.1 million, and the maximum aggregate number of shares authorized under the Amended Plan will be 203,635,220. However, because of prior issuances that have occurred under the current Plan, only a total of approximately 15 million shares would actually be available for immediate issuance (excluding any shares that return to the Plan in the future from awards that expire or are forfeited). The shares may be authorized, but unissued, or reacquired common stock of Cypress. Any shares of restricted stock or restricted stock units with a per share or unit purchase price lower than 100% of fair market value on the date of grant will be counted against the numerical limits of the Amended Plan's share reserve pool as 1.88 shares for every one share subject thereto.

Awards that Expire or Are Forfeited

Subject to the terms of the Amended Plan, if an award (or any option or stock appreciation right granted under a terminated plan) terminates or is forfeited without having been fully exercised or vested, the unvested or forfeited shares generally will be returned to the available pool of shares reserved for issuance under the Amended Plan. To the extent that a share that was subject to an award that counted as 1.88 shares against the Plan's share reserve pool is returned to the Amended Plan, the Amended Plan's share reserve pool will be credited with 1.88 shares.

Eligibility to Receive Awards

The Committee will select the employees and consultants of Cypress or its parent or subsidiaries, and non-employee directors of the Board who will be granted awards; provided that only employees of Cypress or its parent or subsidiaries may receive incentive stock options. The actual number of individuals who will be granted awards cannot be determined in advance because the Committee has the discretion to select the participants. As of January 1, 2017, approximately 6,500 service providers (including executive officers, consultants and non-employee directors of Cypress and its subsidiaries) were eligible to participate in the Plan.

Stock Options and Stock Appreciation Rights

A stock option is the right to acquire shares at a fixed exercise price for a fixed period of time. Under the Amended Plan, the Committee may grant nonstatutory stock options and/or incentive stock options. Stock appreciation rights (which we refer to as SARs) are awards that grant the participant the right to receive an amount (in the form of cash, shares of equal value, or a combination thereof, as determined by the Committee) equal to the excess of (x) the fair market value of the common stock covered by the exercised portion of the SAR, as of the date of such exercise, over (y) the fair market value of the common stock covered by the exercised portion of the SAR, as of the date on which the SAR was granted; provided, however, that the Committee may place limits on the amount that may be paid upon exercise of a SAR. As of January 1, 2017, approximately 5.8 million stock options were outstanding under the Plan and the outstanding stock options had a weighted average exercise price of $12.23, with individual exercise prices ranging from $2.72 to $23.23.

Share Limits

The Committee will determine the number of shares covered by each option or SAR award, but during any fiscal year of Cypress, no participant may be granted options and SARs covering more than 3 million shares in the aggregate.

Exercise Price

The exercise price of the shares subject to each option or SAR award is set by the Committee, but cannot be less than 100% of the fair market value (on the date of grant) of the shares covered by the award.

Incentive Stock Options

The exercise price of an incentive stock option must be at least 110% of fair market value if (on the grant date) the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of Cypress or any parent or subsidiary. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options which first become exercisable by any participant during any calendar year also may not exceed $100,000. Any shares in excess of this limit will be treated as a nonstatutory stock option. If the employee holds more than one incentive stock option, the incentive stock options are considered in the order in which they were granted.

Term and Vesting

The Committee will establish the vesting schedule of each option or SAR award at the time of grant. Options and SARs granted under the Amended Plan will expire at the times established by the Committee, but not later than eight years after the grant date (such term is limited to five years in the case of an incentive stock option granted to a participant who owns stock possessing more than 10% of the total combined voting power of all classes of stock of Cypress).

Exercise of the Option or SAR Award

An option or SAR award granted under the Amended Plan will be exercised by giving written or electronic notice to Cypress, specifying the number of shares to be purchased and, for options, tendering full payment of the exercise price to Cypress. The Committee may permit payment for options through the tender of shares that are already owned by the participant, or by any other means that the Committee determines to be consistent with the purpose of the Amended Plan. The participant must pay any taxes that Cypress is required to withhold at the time of exercise.

Termination of Participant

In the event a participant's continuous status as an employee, director, or consultant terminates for any reason other than upon the participant's death or disability, the options and SARs held by the participant under the Amended Plan will be exercisable (to the extent the award was exercisable on the date of service termination) within such period of time as is specified in the applicable award agreement. In the absence of a specified period of time in the award agreement, the vested portion of the option or SAR award will remain exercisable for a period of 30 days following the date of such termination. In the event a participant's continuous status as an employee, director, or consultant terminates as a result of the participant's disability, the options and SARs held by the participant under the Amended Plan will be exercisable (to the extent the award was exercisable on the date of service termination) for a period of six months following the date of such disability or such longer period of time not exceeding 12 months, as specified in the applicable award agreement. In the event a participant's continuous status as an employee, director, or consultant terminates as a result of the participant's death, the options and SARs held by the participant under the Amended Plan will be exercisable for a period of six months after death (to the extent the award would have become exercisable had the participant continued living and remained in continuous status as an employee, director, or consultant for an additional 12 months). If the participant dies within 30 days after his or her termination of continuous status as an employee, director, or consultant, the options and SARs held by the participant under the Amended Plan may be exercised within six months following the date of such death (to the extent the award was exercisable on the date of service termination). However, in no event may the period of exercisability extend beyond the expiration date of the option or SAR award, as applicable.

Restricted Stock and Restricted Stock Units

Awards of restricted stock are shares that will vest in accordance with the terms and conditions established by the Committee. Awards of RSUs are rights to acquire shares upon the vesting of RSUs in accordance with the terms and conditions established by the Committee. The Committee will determine the terms and conditions of restricted stock and RSUs granted under the Amended Plan, including the number of shares of restricted stock or RSUs granted to any employee, consultant, or non-employee director and whether the award will be in the form of restricted stock or RSUs; provided, however, that during any fiscal year of Cypress, no participant may be granted awards of restricted stock or RSUs that cover more than 1.5 million shares in the aggregate.

In determining whether an award of restricted stock or RSUs should be made, and/or the vesting schedule for any such award, the Committee may impose whatever conditions to vesting as it determines to be appropriate. For example, the Committee may determine to grant an award of RSUs that will vest only if the participant satisfies performance goals established by the Committee.

Until the stock certificate evidencing the shares is issued (which certificate generally will be issued only after the restricted stock or RSUs vest), no rights to vote or receive dividends or any other rights as a stockholder will exist with respect to the restricted stock or RSU award.

Grants to Non-Employee Directors

Under the Amended Plan, Cypress's non-employee directors will be eligible to receive grants of awards on the date of his or her initial election and annually thereafter on the date of the annual stockholder meeting (so long as the non-employee director has been serving as such for at least three months), in an amount determined by the Committee in its sole discretion (which we refer to as recurring awards). Such recurring awards will be subject to vesting, payment, and other terms and conditions as may be determined by the Committee. Non-employee directors also will be eligible to receive other discretionary awards under the Amended Plan.

Non-Employee Director Award Limitations

No non-employee director may be granted, in any fiscal year of Cypress, awards with a grant date fair value (determined in accordance with either GAAP or IASB principles) of more than $500,000, increased to $750,000 in connection with a non-employee director's initial service.

Exercise of Options

The exercise price of an option granted under the Amended Plan to a non-employee director may be paid in the form of cash, check, other shares of Cypress common stock previously owned by him or her with a fair market value on the date of surrender equal to the aggregate exercise price of the exercised shares, or any combination of such methods. For any options granted after Cypress's 2004 annual stockholder meeting, the option additionally may be exercised and the consideration paid by the delivery of an exercise notice together with other documentation as the Committee and broker, if applicable, requires to effect the exercise of the option and the delivery to Cypress of the sale or loan proceeds required to pay the exercise price (or any combination of the above payment methods).

Termination of Non-employee Director's Service

In the event a non-employee director ceases to serve as a Board member other than due to his or her death or disability, the options held by him or her under the Amended Plan that are recurring awards will be exercisable (to the extent the option was exercisable on the date of termination) within 90 days, or for options that are recurring awards granted on or after Cypress's 2004 annual stockholder meeting, within one year, after the date of termination of board service. In the event the non-employee director ceases to serve as a Board member due to disability, the options held by the non-employee director under the Amended Plan will be exercisable (to the extent exercisable on the date of service termination) for a period of six months, or for options granted on or after Cypress's 2004 annual stockholder meeting, within one year after the date of service termination. In the event of the non-employee director's death while a Board member, the options held by him or her under the Amended Plan will be exercisable for a period of six months, or for options granted on or after Cypress' 2004 annual stockholder meeting, for a period of one year, after the date of such death (to the extent that the option would have become exercisable had the director continued living and remained in continuous service as a director for an additional 12 months). If the non-employee director dies within 30 days after the termination of his or her continuous service as a Board member, his or her options under the Amended Plan may be exercised within six months following the date of such death (or for options granted on or after Cypress's 2004 annual stockholder meeting, within one year following the date of such death) to the extent the option was exercisable on the date of service termination.

Certain Performance-based Awards

The Amended Plan is designed to permit (but not require) Cypress to issue awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (which we refer to as Section 162 (m). Thus, the Committee may require achievement of specified levels of performance with respect to performance goals, in order for an award to vest. In granting restricted stock or RSUs that are intended to qualify under Section 162(m), the Committee will follow any procedures determined necessary or appropriate to ensure qualification of the award under Section 162(m).

With respect to any awards intended to qualify as performance-based compensation under Section 162(m), at the Committee's discretion, one or more of the following performance goals may apply: cash flow (including operating cash flow or free cash flow), revenue (on an absolute basis or adjusted for currency effects), gross margin, operating expenses or operating expenses as a percentage of revenue, earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), earnings per share, stock price, return on equity, total stockholder return, growth in stockholder value relative to the moving average of the S&P 500 Index, the Philadelphia Semiconductor Sector Index or another index, return on capital, return on assets or net assets, return on investment, economic value added, operating profit or net operating profit, operating margin, market share, contract awards or backlog, overhead or other expense reduction, credit rating, objective customer indicators, new product invention or innovation, attainment of research and development milestones, improvements in productivity, attainment of objective operating goals, and objective employee metrics. The performance goals may be applied to Cypress as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with U.S. GAAP or IASB, or which may be adjusted when established to exclude any items otherwise includable under GAAP or IASB, or include any items otherwise excludable under GAAP or IASB.

Transfers or Leave of Absence

Unless otherwise determined by the Committee, and subject to applicable laws, the vesting of awards granted under the Amended Plan will cease during any unpaid leave of absence. Moreover, unless otherwise determined by the Committee, any employee who transfers his or her employment to a subsidiary and receives an equity incentive covering such subsidiary's equity securities in connection with such transfer, will cease vesting in his or her awards granted under the Amended Plan, until such time (if at all) the employee transfers from the employment of the subsidiary or another subsidiary back to the employ of Cypress.

Changes in Capitalization

If Cypress experiences a stock split, reverse stock split, stock dividend, combination or reclassification of Cypress shares, or any other increase or decrease in the number of issued shares of Cypress common stock effected without its receipt of consideration (except for certain conversions of convertible securities), proportionate adjustments will be made by the Board subject to any required action by Cypress's stockholders, to the number of shares available for issuance under the Amended Plan but as to which no awards have yet been granted or which have been returned to the Amended Plan, the number of shares covered by each outstanding award, the price per share, if any, of each outstanding award, and the per-person limits on awards, as appropriate to reflect the stock dividend or other change.

Similarly, if Cypress experiences a spin-off, split-off, or similar transaction involving equity of a subsidiary or former subsidiary, then subject to any required action by Cypress stockholders, the number and/or type of shares covered by each outstanding award, the number and/or type of shares which have been authorized for issuance under the Amended Plan but as to which no awards have yet been granted or which have been returned to the Amended Plan, the price per share of each such outstanding award, and the per-person limits on awards will be appropriately and proportionately adjusted to account for any increase or decrease in value resulting from such transaction.

Corporate Transactions

In the event of Cypress's merger with or into another corporation or the sale of all or substantially all of its assets, the successor corporation (or its parent or subsidiary) will assume or substitute for equal value each outstanding award. With respect to awards other than recurring awards granted to non-employee directors, including awards providing for performance-based vesting criteria, the Committee may, in its sole discretion, fully accelerate such awards in lieu of assumption or substitution. In such event, the Committee will notify all holders of options and SARs that their options and SARs under the Amended Plan will be fully exercisable for a period of 30 days from the date of such notice and the award will terminate upon the expiration of such period.

With respect to recurring awards granted to non-employee directors, in the event the successor corporation does not agree to assume or substitute for such awards, each outstanding recurring award granted to a non-employee director will become fully vested and exercisable (if applicable), unless the Board, in its discretion, determines otherwise.

In the event of a proposed dissolution or liquidation of Cypress, the Board may provide that awards (other than awards granted to non-employee directors) will terminate as of a date determined by the Board, allow participants to exercise any such options and SAR awards including shares that otherwise would not be exercisable, and accelerate the vesting of any such restricted stock and RSU awards.

Section 409A

In the event that the Committee determines that any award granted under the Amended Plan is subject to Section 409A of the Internal Revenue Code of 1986, as amended (which we refer to as Section 409A), the Amended Plan requires the agreement evidencing such award to incorporate the terms and conditions required by Section 409A. If, following the date an award is granted under the Amended Plan, the Committee determines that such award may be subject to Section 409A, the Committee may, without the consent of the participants, adopt amendments to the Amended Plan and applicable award agreements and take other actions that the Committee determines is necessary or appropriate to exempt the applicable award from Section 409A, comply with the requirements of Section 409A or mitigate any additional tax, interest and/or penalties that may apply under Section 409A.

Amendment and Termination of the Amended Plan

The Board generally may amend, alter, suspend, or terminate the Amended Plan at any time, except that certain amendments may require stockholder approval or the consent of participants in the Amended Plan. Adding shares to the Amended Plan requires stockholder approval, except in the case of adjustments due to a stock split or similar change in capitalization effected without the receipt of consideration by us. The Plan is currently scheduled to expire on January 15, 2024. We are asking our stockholders to approve an extension of the term of the Plan. If this Proposal 5 is approved by our stockholders, the Amended Plan will expire on April 14, 2027.

Limited Transferability of Awards

Awards granted under the Amended Plan generally may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the applicable laws of descent and distribution. During the participant's lifetime, only the participant may exercise the award. If the Committee makes an award under the Amended Plan transferable, such award will contain such additional terms and conditions as the Committee deems appropriate.

Federal Tax Aspects

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and Cypress of awards granted under the Amended Plan, based upon the provisions of the Internal Revenue Code of 1986, as amended, as in effect on the date of this Proxy Statement, current regulations and existing administrative rulings of the Internal Revenue Service. However, it does not purport to be complete and does not discuss the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. Tax consequences for any particular individual may be different.

Nonstatutory Stock Options

No taxable income is reportable when a nonstatutory stock option is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

Incentive Stock Options

No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax). If the participant exercises the option and then later sells or otherwise disposes of the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two- or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

Stock Appreciation Rights

No income will be recognized by a recipient in connection with the grant of a stock appreciation right. When the stock appreciation right is exercised, the award holder generally will be required to include as taxable ordinary income in the year of exercise an amount equal to the sum of the amount of any cash received and the fair market value of any common stock or other property received upon the exercise. Any additional gain or loss recognized upon any later disposition of the shares of common stock or other property would be treated as long-term or short-term capital gain or loss, depending on the holding period.

Restricted Stock/Restricted Stock Units

A participant will not have taxable income upon grant unless he or she elects to be taxed at that time pursuant to Section 83 (b) of the Internal Revenue Code of 1986, as amended (except no such election is available for restricted stock units). Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value (on the vesting date) of the shares received minus any amount paid for the shares.

Tax Effect for Cypress

Cypress generally will be entitled to a tax deduction in connection with an award made to U.S. employees, consultants and directors under the Amended Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option). Special rules limit the deductibility of compensation paid to certain of Cypress's executive officers. Under Section 162(m) of the Internal Revenue Code of 1986, as amended, the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed $1 million. However, Cypress can preserve the deductibility of certain compensation in excess of $1 million if the conditions of Section 162(m) are met. These conditions include stockholder approval of the Amended Plan, setting limits on the number of awards that any individual may receive, and for awards other than certain stock options, establishing performance criteria that must be met before the Award actually will vest or be paid. The Amended Plan has been designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting Cypress to continue to receive a federal income tax deduction in connection with such awards.

Section 409A

Section 409A provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the Amended Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Proposal Summary

Equity awards are a key component of our overall compensation strategy, contributing a meaningful portion of our employees' total compensation. We are asking our stockholders to allow us to continue to hire and retain skilled, motivated employees through our competitive employee performance-based equity program. We remain committed to delivering strong returns to our stockholders and approval of this proposal is important so that we may continue to do so in the future. If the amendments to the Plan are not approved, the amendment will not take effect and the Plan (most recently amended in 2015) will continue to be in effect according to its terms, as in effect prior to this proposal. In this case, Cypress may continue to make awards under the Plan (subject to the existing limitations, including authorized share limits, set forth in the Plan).

Required Vote

The affirmative vote of the holders of a majority of the common stock present or represented at the meeting is required to approve the adoption of the Amended Plan.

☑ **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING "FOR" THE APPROVAL OF THE ADOPTION OF THE AMENDED PLAN**.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes certain information with respect to our common stock that may be issued under our existing equity compensation plans as of April 10, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (millions)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (millions)	Number of Securities Remaining Available for Future Issuance (millions)
Equity Compensation Plans Approved by Security Holders	12.1[1]	12.52[3]	18.5[6]
Equity Compensation Plans Not Approved by Security Holders	8.6[2]	6.73[4]	3.2[7]
Total	20.7	10.96[5]	21.7

1. Includes 7.3 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) granted.
2. Includes 6.8 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) granted.
3. Excludes the impact of 7.3 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) which have no exercise price.
4. Excludes the impact of 6.8 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) which have no exercise price.
5. Excludes the impact of 14.1 million shares of full value awards (restricted stock units, restricted stock awards and performance stock units) which have no exercise price.
6. Includes 15 million shares available for future issuance under Cypress’s 2013 Stock Plan and 3.5 million shares available for future issuance under Cypress’s Employee Stock Purchase Plan.
7. Includes 100,000 shares available for future issuance under the assumed Ramtron Plan and 3.1 million shares available for future issuance under the assumed Spansion Plan.

See Note 8 of Notes to Consolidated Financial Statements under Item 8 of Cypress's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2017 for further discussion of Cypress’s stock plans.

CORPORATE GOVERNANCE

Our business, assets and operations are managed under the direction of our Board of Directors (the "Board"). Members of our Board are kept informed of our business through discussions with our chief executive officer, our chief financial officer, our named executive officers ("NEOs"), our chief legal officer, members of management and other Company employees as well as our independent auditors, and by reviewing materials provided to them and participating in meetings of the Board and its committees.

In addition to its management function, our Board remains committed to strong and effective corporate governance, and, accordingly, it regularly monitors our corporate governance policies and practices to ensure we meet or exceed the requirements of applicable laws, regulations and rules, the Nasdaq Listing Rules, as well as the best practices of other public companies.

The Company's long-standing corporate governance program features the following:

- a Board that is up for election annually and has been for over 30 years;
- we have no stockholder rights plan in place;
- regularly updated charters for each of the Board's committees, which clearly establish the roles and responsibilities of each such committee;
- Board committees that are comprised of and chaired solely by independent directors, and that operate under our charters that are publicly available on our website;
- a Board that has unrestricted access to the Company's management, employees and professional advisers;
- regular executive sessions among our non-employee and independent directors;
- proxy access provisions in our bylaws;
- a majority vote standard in uncontested director elections;
- a director resignation policy requiring any incumbent director who receives a greater number of votes "against" than votes "for" his election to promptly tender his resignation;
- a risk management program with specific responsibilities assigned to management, the Board, and the Board's committees;
- a clear Code of Business Conduct and Ethics that is reviewed annually for best practices;
- a clear set of Corporate Governance Guidelines that is reviewed annually for best practices;
- a Clawback Policy that requires the return of performance-based compensation payments to the Company by any executive engaged in (i) fraud, theft, misappropriation, embezzlement or dishonesty, (ii) intentional misconduct related to the Company's financial reporting, or (iii) in the event of a material negative revision of any financial or operating measure on which performance-based compensation was paid out to such executive;
- a long history of no perquisites for our directors and executive officers;
- the Compensation Committee's engagement of an independent compensation consultant; and
- a director and committee self-evaluation process allowing the directors to provide additional feedback on the Board's performance and other matters related to the Company.

In addition to the features above, we have a long-standing stock ownership requirement to ensure that our directors and executives remain aligned with the interests of the Company and its stockholders.

Stock Ownership Requirements

Our directors and executives have historically maintained strong stock ownership and our stock ownership requirements are consistent with industry best practices. The table below summarizes the stock ownership policy and status among our directors and NEOs as of April 10, 2017.

	Stock Ownership Requirement	Shares Actually Held
Chief Executive Officer	6X base compensation	7.31X base compensation
All Other Named Executive Officers	4X base compensation	5.3X - 27.3X base compensation
All Non-Employee Directors	30,000 shares	47,665 - 168,538 shares

As a result of such requirements, our directors and NEOs will continue to hold a substantial amount of their net worth in shares of Cypress common stock, and maintain an even stronger alignment with the Company and our stockholders.

Named Executive Officers. Our CEO is required to own Company common stock having a value of at least six times his annual base salary. Common stock only includes shares directly owned and does not include any granted stock option awards, even if vested and in the money. Our NEOs, excluding our CEO, are required to own Company common stock having a value of at least four times their annual base salary. Individuals have three years from becoming a NEO to meet the stock ownership requirement. If the stock ownership requirement is not met after three years, then the NEO must hold all future shares that vest (net of taxes) until the stock ownership requirement is met. All of our NEOs, excluding Messrs. Bingham and Rauschmayer, meet the stock ownership requirements. Mr. Bingham did not become a NEO until August 10, 2016 and has three years to meet the stock ownership requirements. Mr. Rauschmayer is no longer a NEO and therefore is no longer required to meet the stock ownership requirements.

Directors. Our non-employee directors are required to own at least 30,000 shares of common stock of the Company, which is approximately eight times their annual retainer of $50,000 (assuming a stock price of $13.33 per share). Directors have three years from becoming a director to meet the stock ownership requirement. All of our non-employee directors meet the stock ownership requirements.

Policy on Derivative Trading

The Company has a long-standing insider trading policy which regulates trading by our insiders, including our NEOs and Board members, and prohibits all employees and Board members from trading on material, non-public information. Our policy explains when transactions in Cypress stock are permitted and provides that insiders may engage in transactions in Cypress stock only during pre-established quarterly trading windows. The policy also sets forth certain types of prohibited transactions. Specifically, no Company director, employee, agent or contractor may engage in short sales or hedging activity of any kind, which includes buying put options on the Company's stock.

Policy on Pledging

Cypress adopted and formalized a written pledging policy in fiscal year 2014 and the Committee approved modifications to the policy on February 15, 2017. As of February 15, 2017, Directors and NEOs are no longer permitted to pledge Cypress stock.

Communications from Stockholders and Other Interested Parties

Stockholders and other interested parties who wish to send communications on any relevant business topic to the Board or an individual director may do so by addressing such communication to the Chairman of the Board of Directors, c/o Corporate Secretary, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California, 95134 or sending an e-mail to CYBOD@cypress.com.

The Board will give appropriate attention to written communication on valid business or corporate governance issues that are submitted by Company stockholders and other interested parties, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the chairman of our Board, with the assistance of the corporate secretary and internal legal counsel, is primarily responsible for monitoring communications from stockholders and other interested parties, and will provide copies or summaries of such communications to the other directors as the chairman considers appropriate. Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the chairman of our Board considers to be important for the directors to know.

Corporate Governance Guidelines

Our Corporate Governance Guidelines provide the structure and other policies related to our Board. The guidelines cover, among other topics:

- director independence;
- Board structure and composition, including the designated Board committees;
- Board member nomination and eligibility requirements;
- Board leadership and executive sessions;
- limitations on other Board and committee service;
- director responsibilities;
- Board and committee resources, including access to management and employees;
- director compensation;
- director orientation and ongoing education;
- succession planning; and
- Board and committee self-evaluations.

Our current Corporate Governance Guidelines and our Code of Business Conduct and Ethics are posted on our website at http://investors.cypress.com/corporate-governance.cfm.

Board Structure

Our Board of Directors is comprised of seven directors, all of whom are independent except for our new chief executive officer, Hassane El-Khoury, and our Executive Chairman, H. Raymond Bingham. Mr. Bingham serves as Chairman of the Board. T.J Rodgers, who served on our Board until his resignation in August 2016, was determined not to be independent. Our Board's general policy, as stated in our Corporate Governance Guidelines, is that separate persons should hold positions of chairman of the Board and chief executive officer to enhance the Board's oversight of management. This leadership structure enhances accountability of our chief executive officer to the Board, provides a balance of power on our Board and encourages thoughtful decision-making. We also historically separated the roles in recognition of the differences in roles. While the chief executive officer is responsible for the day-to-day leadership of the Company and the setting of strategic direction, the chairman provides guidance to the Board and sets the agenda for and presides over Board meetings as well as meetings of the Board's independent directors. The chairman also provides performance feedback on behalf of the Board to our chief executive officer.

In light of the transition to a new chief executive officer in August 2016, the Board felt it was desirable to appoint Mr. Bingham to the newly created position of Executive Chairman, pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board. As Executive Chairman, Mr. Bingham reports directly to the Board. After Mr. Bingham's appointment as Executive Chairman on August 10, 2016, Mr. Benhamou was appointed as Lead Independent Director of the Board and now presides over meetings of the Board's independent directors.

The Executive Chairman role is anticipated to be a short-term position, providing support to the CEO and focused externally on customers and investment opportunities. The Board evaluates, on a periodic basis, the continued need for the Executive Chairman position.

Board Meetings and Executive Sessions. Executive sessions of independent directors are held after each regularly scheduled meeting of our Board and at other times as deemed necessary by our directors. In fiscal year 2016, our Board held four regularly scheduled meetings, and every director attended all such Board meetings, including in each case, the executive sessions. The Board also held 19 special meetings during fiscal year 2016. All of our directors attended at least 75% of all Board meetings. Mr. Bingham presided over all executive sessions of our directors until he became Executive Chairman on August 10, 2016. Mr. Benhamou has presided over all executive sessions of our directors since Mr. Bingham's appointment as Executive Chairman. The Board's policy is to hold executive sessions without the presence of management, including the chief executive officer and the executive chairman. The committees of the Board also meet in executive session at the end of each committee meeting.

Our directors are expected to attend each of the regularly scheduled board meetings. For that reason, the Board's calendar is set in advance to ensure that all directors can attend all such meetings.

Determination of Independence. The Board has adopted the definition of "independence" as described under Nasdaq Listing Rule 5605 and the standards applicable to audit committees under the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") Section 301 and Rule 10A-3 under the Securities Exchange Act of 1934 (the "Exchange Act"). In order to make a determination of independence of a director as required by our Corporate Governance Guidelines and the rules of Nasdaq and the Securities and Exchange Commission (the "SEC"), the Board determines whether a director or a director nominee has a material relationship with Cypress (either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with Cypress). Each director or director nominee completed a questionnaire, with questions tailored to the Nasdaq Listing Rules, as well as the securities law requirements for independence. On the basis of the questionnaires completed and returned by each director, the Board determined that each of Messrs. Albrecht, Benhamou, Kwon, van den Hoek and Wishart is independent as determined under our Corporate Governance Guidelines, the Nasdaq Listing Rules and the Exchange Act. The Board determined that Mr. El-Khoury, our president and chief executive officer, is not independent by virtue of his employment and position at Cypress. The Board also determined that Mr. Bingham was independent until his appointment as Executive Chairman on August 10, 2016. Apart from Messrs. El-Khoury and Bingham, no other director has a relationship with Cypress other than through his membership on the Board and its committees.

Board's Role in Risk Management Oversight

Among the responsibilities of our Board is the oversight, review and management of the Company's various sources of risk. The Board addresses this risk, in part, through its engagement with our chief executive officer and various members of management and the Company's outside consultants. Directors also discuss risk as a part of their review of the ongoing business, financial, and other activities of the Company. The Board also has overall responsibility for executive officer succession planning and reviews succession plans regularly.

In the majority of cases, the Board implements its risk oversight responsibilities primarily through its various committees, which receive input from management on the potentially significant risks the Company faces and how the Company seeks to control, manage and mitigate risk where appropriate. If the report is deemed significant, the chairman of the relevant committee reports on the committee's discussion to the Board during the committee reports portion of the next Board meeting. This enables the Board and its committees to coordinate risk oversight, particularly with respect to risk interrelationships.

The Board's four standing committees (Audit, Compensation, Nominating and Corporate Governance and Operations) oversee those risks that are most appropriate to their charters. For example, the Audit Committee oversees risks related to internal controls, financial reporting, fraud, insurance, treasury, compliance and litigation. The Audit Committee also oversees the activities of the Internal Audit Department, which independently assesses, audits and monitors risk throughout the Company. The Compensation Committee oversees risks related to our cash and equity compensation programs, perquisites and use of Company equity. The Nominating and Governance Committee oversees risks related to corporate governance, the composition of our Board and its committees, executive management and business ethics of the Company. The Operations Committee, primarily through attending the Company's quarterly operations review meetings, oversees risks related to operations, product development, supply chain and customers. The Operations Committee was dissolved in April 2017.

The foregoing committees, including the membership and function of each committee at the end of fiscal year 2016, are described in the table below with additional details following the table:

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Operations Committee*
W. Steve Albrecht	Chairman		Member	
Eric A. Benhamou	Member	Chairman	Member	
Wilbert van den Hoek		Member		Chairman
Michael S. Wishart	Member	Member	Chairman	

* Dissolved in April 2017.

Board's Committees

The Audit Committee. The Audit Committee consists of Messrs. Albrecht, Benhamou and Wishart, each of whom was determined to be independent as defined under the Nasdaq Listing Rules and the SEC rules applicable to audit committee members. The Audit Committee operates under a written charter adopted by our Board and reviewed annually by the Audit Committee. The Audit Committee's charter is available on our website at http://investors.cypress.com/corporate-governance.cfm.

The Board determined that each member of the Audit Committee is financially literate and has accounting and/or related financial management expertise as required under the Nasdaq Listing Rules. While our Board designated Mr. Albrecht as the "audit committee financial expert" in accordance with the requirements of the SEC and Nasdaq Listing Rules, all of the members of our Audit Committee meet the qualifications for an audit committee financial expert.

The responsibilities of our Audit Committee and its activities during fiscal year 2016 are described in its charter and the Report of the Audit Committee contained in this Proxy Statement.

The Audit Committee, through delegation by the Board, has overall responsibility for:

- reviewing and approving the scope of the annual audit and the adequacy of the Audit Committee charter;
- assisting the Board in the oversight of the Company's compliance with legal and regulatory requirements;
- meeting separately with our independent registered public accounting firm, internal auditors, and our senior management to identify, assess, manage and mitigate areas of risk for the Company;
- overseeing and reviewing our accounting and financial reporting processes, annual audit and matters relating to the Company's internal control systems, as well as the results of the annual audit;
- ensuring the integrity of the Company's financial statements;
- overseeing the outside auditor's performance, qualifications and independence issues;
- preparing a report of the Audit Committee to be included in the Company's annual proxy statement;
- pre-approving all proposed services and related fees to be paid to our independent registered public accounting firm;
- providing input on the risk assessment processes in the Company, which forms the basis of the annual audit plan;
- overseeing the Company's whistleblower policy and reporting function; and
- reviewing SEC filings, earnings releases and other forms of significant investor communications.

The Audit Committee met nine times in fiscal year 2016 and each time met in executive session independently with each of management, our internal audit team and PricewaterhouseCoopers, our independent registered public accounting firm.

The members of the Audit Committee also comprised the members of the Company's Pricing Committee. For additional information on the Pricing Committee, please see the "*Special Committees*" section below.

The Compensation Committee. The Compensation Committee consists of Messrs. Benhamou, van den Hoek and Wishart, each of whom is determined to be independent under the Nasdaq Listing Rules. Mr. Bingham served on the Compensation Committee until his appointment as Executive Chairman on August 10, 2016. During his service on the Compensation Committee, Mr. Bingham was determined to be independent under the Nasdaq Listing Rules. Mr. Bingham resigned from the Compensation Committee, effective upon his appointment as Executive Chairman.

The Compensation Committee assists the Board with discharging its duties with respect to the formulation, implementation, review and modification of the compensation of our directors and executive officers, the preparation of the annual report on executive compensation for inclusion in our proxy statement and oversight of the Company's compensation and equity programs.

The Compensation Committee regularly considers the risks associated with our compensation policies and practices for employees, including those related to executive compensation programs. As part of the risk assessment, the Compensation Committee reviews our compensation programs to avoid certain design features that have been identified by experts as having the potential to encourage excessive risk-taking. Instead, our compensation programs are designed to encourage employees to take appropriate risks and encourage behaviors that enhance sustainable value creation in furtherance of the Company's business, but do not encourage excessive risk and accordingly are not reasonably likely to have a material adverse effect on the Company. The Compensation Committee believes that because we closely link our variable compensation with attaining performance objectives, we are encouraging our employees to make decisions that should result in positive short- and long-term returns for our business and our stockholders without providing an incentive to take unnecessary risks. In fulfilling its responsibilities, the Committee may, to the extent permitted under applicable law, the Nasdaq Listing Rules, the rules of the SEC and the Internal Revenue Code, and the Company's certificate of incorporation and bylaws, delegate any or all of its responsibilities to a subcommittee of the Committee. The Compensation Committee, with the assistance of Pearl Meyer & Partners ("Pearl Meyer"), an independent compensation consultant, intends to continue, on an on-going basis, a process of thoroughly reviewing our compensation policies and programs to ensure that our compensation programs and risk mitigation strategies continue to discourage imprudent risk-taking activities.

In conjunction with the recommendations of Pearl Meyer and our chief executive officer, the Compensation Committee determines the compensation of our executive officers. No officer of the Company was present during discussions or deliberations regarding that officer's own compensation. Additionally, the Compensation Committee sometimes meets in executive session with its independent consultant to discuss various matters and formulate certain final decisions, including those regarding the performance and compensation of the chief executive officer.

The Compensation Committee, through delegation by the Board, has overall responsibility for:

- establishing the specific performance objectives for our senior management, including the chief executive officer, and subsequently evaluating their compensation based on achievement of those objectives;
- formulating, implementing, reviewing, approving, and modifying the compensation of the Company's directors and senior management;
- recommending to the Board for approval the Company's compensation plans, policies and programs, and administering such approved compensation plans, policies and programs;
- reviewing and approving the Company's compensation discussion and analysis for inclusion in the proxy statement;
- reviewing and approving the annual merit and stock budgets for focal salary increases and equity grant awards for all eligible employees;
- reviewing the annual benefit changes made by the Company with respect to its employees;
- overseeing the process of providing feedback to the chief executive officer on his performance;
- overseeing the stock plans of the Company and its subsidiary companies;
- overseeing and monitoring executive succession planning for the Company;
- conducting a periodic risk analysis of the Company's compensation policies and programs; and
- establishing the Company's derivative trading and pledging policies and overseeing compliance with such policies.

In discharging its duties, the Compensation Committee selects and retains the services of compensation consultants in order to have independent, expert perspectives on matters related to executive compensation, Company and executive performance, equity plans and other issues. The Compensation Committee has the sole authority to determine the scope of services for these consultants and may terminate the consultants' services at any time. The fees of these consultants are paid by the Company. In fiscal year 2016, the Compensation Committee retained the services of Pearl Meyer for various compensation-related services.

The Compensation Committee held twelve meetings during fiscal year 2016. The Report of the Compensation Committee is contained in this Proxy Statement. The charter for our Compensation Committee is posted on our website at http://investors.cypress.com/corporate-governance.cfm.

The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Messrs. Albrecht, Benhamou and Wishart, each of whom is determined to be independent under the Nasdaq Listing Rules. Mr. Bingham served as chair of the Nominating and Corporate Governance Committee until his appointment as Executive Chairman on August 10, 2016. During his service on the Nominating and Corporate Governance Committee, Mr. Bingham was determined to be independent under the Nasdaq Listing Rules. Mr. Bingham resigned from the Nominating and Corporate Governance Committee effective upon his appointment as Executive Chairman. Mr. Benhamou served as chair of the Nominating and Corporate Governance Committee from August 10, 2016 to November 4, 2016, at which time Mr. Wishart was appointed as chair of the committee.

The Nominating and Corporate Governance Committee has recommended to the full Board each of the nominees named in this Proxy Statement for election to the Board.

The purpose of the Nominating and Corporate Governance Committee is to:

- determine the skills, education and experiences the Board needs to most effectively meet its responsibilities;
- as part of its risk management, ensure the Board has the requisite mix of skills and expertise to competently oversee the operations of the Company;
- identify and evaluate individuals qualified to become Board members;

- recommend to the Board the persons to be nominated by the Board for election as directors at the annual meeting of stockholders, including any nomination of qualified individuals properly submitted by stockholders of the Company;
- consider resignations submitted pursuant to the Company's director resignation policy;
- develop, maintain and recommend to the Board a set of corporate governance principles;
- oversee the annual self-evaluation process of the Board and the Board committees;
- ensure that stockholder proposals, when approved, are implemented as approved;
- make recommendations to the Board on Board committee membership; and
- oversee the director's continuing education program.

With respect to board size, membership and nomination, the Nominating and Corporate Governance Committee is responsible for regularly assessing the size and composition of the Board and identifying exceptional director candidates in the event a vacancy occurs. The Nominating and Corporate Governance Committee uses a variety of methods for identifying and evaluating nominees for directorships, including requests to Board members, professional outside consultants and other third-party trusted sources. Through the process of identification and evaluation of potential director candidates, the Nominating and Corporate Governance Committee seeks to achieve a balance of experience, a broad knowledge base, integrity and capability on the Board.

Stockholders may recommend, with timely notice, potential director candidates to the Nominating and Corporate Governance Committee by submitting their names and background to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California 95134. The Nominating and Corporate Governance Committee will consider a recommendation only if appropriate biographical information and background materials are provided on a timely basis. See "*How and when may I submit proposals or director nominations for consideration at next year's annual meeting of stockholders?*" in the "*Frequently Asked Questions About The Proxy Materials And Voting*" section of this Proxy Statement for information regarding submitting nominations pursuant to the Company's bylaws.

The Company has received notice from T.J. Rodgers, our former Chief Executive Officer and Director, that he is nominating two individuals, J. Daniel McCranie and Camillo Martino (the "Rodgers Nominees") for election to the Board at the Annual Meeting and soliciting proxies from Cypress stockholders in support of the Rodgers Nominees. The Rodgers Nominees are not endorsed by our Board or the Nominating and Corporate Governance Committee.

The qualifications of recommended director candidates will be reviewed by the Nominating and Corporate Governance Committee in accordance with the criteria set forth in our Corporate Governance Guidelines, established by the Nominating and Corporate Governance Committee, and as set forth in applicable securities laws, regardless of whether or not a potential candidate was recommended by a stockholder, the Board, management or other third party. These criteria include, at a minimum, the candidate's skills, attributes, character and integrity, professional experience, general business and semiconductor industry expertise, leadership profile, domestic or international expertise, commitment, diligence, absence of conflicts of interest and the ability to act in the best interest of the Company and its stockholders.

The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Cypress believes that the skill set, background and qualifications of our directors, considered as a group, should provide a critical composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities and act in the best interest of the Company and its stockholders.

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate nominees includes (i) meeting from time-to-time to assess the real or potential needs of the Board, as well as to evaluate biographical information and background material relating to potential candidates and, if appropriate, (ii) conducting interviews of selected candidates by members of the Nominating and Corporate Governance Committee and the Board. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Nominating and Corporate Governance Committee will evaluate nominees by following substantially the same process and applying substantially the same criteria as for candidates submitted by the Board to our stockholders. The assessment is made in the context of the perceived needs of the Board at the time of the evaluation.

The Board makes the final determination whether or not a stockholder-recommended candidate will be included as a director nominee for election in accordance with the criteria set forth in our Corporate Governance Guidelines or guidelines previously identified by the Committee. If the Board decides to nominate a stockholder-recommended candidate and recommends his or her election as a director by the stockholders, the name of the nominee will be included in Cypress's proxy statement and **WHITE** proxy card for the stockholders meeting at which his or her election is recommended.

The Nominating and Corporate Governance Committee is authorized to retain advisers and consultants and to compensate them for their services. The Nominating and Corporate Governance Committee did not retain any such advisers or consultants during fiscal year 2016.

The Nominating and Corporate Governance Committee held four meetings during fiscal year 2016. The charter for our Nominating and Corporate Governance Committee is posted on our website at http://investors.cypress.com/corporate-governance.cfm.

The Operations Committee. The Operations Committee consists of Wilbert van den Hoek. Mr. van den Hoek is considered to be independent under the NASDAQ Listing Rules. John H. Kispert served as chairman of the Operations Committee until his resignation from the Board on May 7, 2016. Mr. Kispert was determined to be independent under the Nasdaq Listing Rules during his service on the Operations Committee. Following Mr. Kispert's resignation, Mr. van den Hoek was appointed as chairman of the Operations Committee.

The purpose of the Operations Committee is to:

- provide advice and counsel to management regarding the Company's daily business operations;
- review strategic proposals related to the Company's operations; and
- present to management of the Company and the Board an independent assessment of Cypress's business operations and practices.

To discharge their responsibilities, members of the Operations Committee attend various quarterly operations reviews and meet regularly with various members of the Company's senior management. The Operations Committee was dissolved in April 2017.

Special Committees. In fiscal year 2016, the Board established two special committees. The Pricing Committee was established to oversee the pricing and management of the Company's debt structure needed to complete the acquisition of Broadcom's Internet of Things business unit. The Pricing Committee consisted of Mr. Albrecht (Chairman), Mr. Benhamou and Mr. Wishart and met eleven times in fiscal year 2016. The CEO Search Committee was established to oversee and conduct the search for a new president and CEO following Mr. Rodgers' resignation as president and CEO in April 2016.

Printed copies of the Corporate Governance Guidelines, the Code of Business Conduct and Ethics, and the charters of the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Operations Committee are also available to any stockholder upon written request to: Corporate Secretary, Cypress Semiconductor Corporation, 198 Champion Court, San Jose, California 95134.

DIRECTOR COMPENSATION

Non-Employee Director Cash Compensation

Our non-employee directors are paid an annual fee for serving on the Board, plus additional fees based on their committee service. Cash fees have not changed since 2009. The table below shows the cash compensation for our non-employee Board members in fiscal year 2016.

Position	2016 Annual Fees[1]
Non-employee director retainer	$50,000
Board chairman	$30,000
Audit Committee chairman	$20,000
Audit Committee member	$15,000
Compensation Committee chairman	$15,000
Compensation Committee member	$10,000
Nominating and Corporate Governance Committee chairman	$5,000
Nominating and Corporate Governance Committee member	$5,000
Operations Committee	$2,500[2]

1. Excluding the Operations Committee fees, which were paid per meeting.
2. Fees paid for each of the Company's quarterly operations meetings attended.

In addition to the retainer and meeting fees described above, non-employee directors are also reimbursed for travel and other reasonable out-of-pocket expenses related to attendance at Board and committee meetings, business events on behalf of Cypress, and seminars and programs on subjects related to their responsibilities.

Members of the Pricing Committee did not receive compensation for their service on this committee. The chairman of the CEO Search Committee was paid $15,000 and each member was paid $10,000 upon appointment to the CEO Search Committee; this fee covered the first four meetings. The chairman and each member were paid $1,000 for their attendance at any meeting beyond the four meetings covered by the initial fee, subject to a cap of $3,500 per day.

Non-Employee Director Equity Compensation

Non-employee director equity compensation was increased in fiscal year 2015 from an equity award with a grant date value of approximately $175,000 to an equity award grant date value of approximately $200,000. Upon their initial appointment to the board, each non-management director is granted an equity award with a grant date value of approximately $200,000, which vests annually over three years. Non-employee directors who are elected at Cypress’s annual stockholders meeting receive an equity grant equal to approximately $200,000, which vests the day before the next annual stockholders meeting (which we refer to as the annual equity grant). Any new director appointed by the board in between annual stockholder meetings will receive the annual equity grant, but with a value that is pro-rated for the number of months the director serves until the next annual stockholders meeting. All such awards are subject to the limitations set forth in Cypress’s stock plan.

Proxy Statement

DIRECTOR COMPENSATION

Fiscal Year Ended January 1, 2017

Director	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Option Awards[2] ($)	All Other Compensation ($)	Total ($)
W. Steve Albrecht[3]	94,000	199,998	-	-	293,998
Eric A. Benhamou[4]	125,000	199,998	-	-	324,998
H. Raymond Bingham[5]	235,418	199,998	-	-	435,416
John H. Kispert[6]	42,170	199,998	-	-	242,168
Oh Chul Kwon[7]	62,000	199,998	-	-	261,998
Wilbert van den Hoek[8]	171,000	199,998	-	-	370,998
Michael S. Wishart[9]	102,000	199,998	-	-	301,998

1. The value reported in the “Stock Awards” column represents the aggregate grant date fair value of awards granted in fiscal year 2016, as determined pursuant to ASC 718. The amount shown for each director reflects the grant date fair value of the annual equity grant for 21,459 restricted stock units made on May 6, 2016, which will vest in full on the day before the 2017 Annual Meeting. The directors had the following number of unvested restricted stock units at the end of fiscal year 2016: Mr. Albrecht, 21,459 unvested restricted stock units; Mr. Benhamou, 21,459 unvested restricted stock units; Mr. Bingham, 161,445 unvested restricted stock units, 21,459 of which represent the annual equity grant in 2016, and 7,440 of which represent Spansion Inc. ("Spansion") grants awarded prior to the merger with the Company (all other unvested restricted stock units awarded on or after August 10, 2016 were made to Mr. Bingham in his capacity as Executive Chairman and are therefore reported in the Summary Compensation Table and other executive compensation tables set forth below); Mr. Kwon, 32,619 unvested restricted stock units, 21,459 of which are for the annual equity grant in 2016 and 11,160 of which are for Spansion grants awarded prior to the merger with the Company; Mr. van den Hoek, 21,459 restricted stock units; and Mr. Wishart, 32,619 unvested restricted stock units, 21,459 of which represent the annual equity grant in 2016, and 11,160 of which represent Spansion grants awarded prior to the merger with the Company.
2. No stock option awards were granted to our directors in fiscal year 2016. The following aggregate director option awards were outstanding at the end of fiscal year 2016: Mr. Bingham, 184,275 options, all of which are Spansion awards issued prior to the merger with the Company; and Mr. Wishart, 34,398 options, all of which are Spansion awards issued prior to the merger with the Company.
3. Fees Earned includes a $50,000 Board of Directors (the "Board") retainer fee, $20,000 Audit Committee chairman fee, $5,000 Nominating and Corporate Governance Committee member fee, and a $19,000 CEO Search Committee fee.
4. Fees Earned includes a $50,000 Board retainer fee, $15,000 Audit Committee member fee, $15,000 Compensation Committee chairman fee, $1,978 Nominating and Corporate Governance Committee chairman fee and $3,022 Nominating and Corporate Governance Committee member fee (certain fees pro-rated to Mr. Benhamou’s August 10, 2016 start date on certain committees), and $40,000 CEO Search Committee fee.
5. Fees Earned includes a $30,220 Board retainer fee, $18,132 Board chairman fee, $6,044 Compensation Committee member fee, $3,022 Nominating and Corporate Governance Committee chairman fee (each of the Board and committee fees pro-rated to Mr. Bingham’s August 10, 2016 appointment as Executive Chairman), $15,000 CEO Search Committee Chairman fee, and $163,000 CEO Search Committee fee . All renumeration received on or after August 10, 2016 is reported in the Executive Compensation Tables below.
6. Fees Earned includes a $42,170 Board retainer fee (pro-rated to Mr. Kispert’s May 7, 2016 resignation date from the Board).
7. Fees Earned includes a $50,000 Board retainer fee and $12,000 CEO Search Committee fee.
8. Fees Earned includes a $50,000 Board retainer fee, $10,000 Compensation Committee member fee, $70,000 Operations Committee fee, and $41,000 CEO Search Committee fee.
9. Fees Earned includes a $50,000 Board retainer fee, $15,000 Audit Committee member fee, $10,000 Compensation Committee member fee, and $27,000 CEO Search Committee fee.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding common stock of the Company beneficially owned as of April 10, 2017, which includes any equity shares which each individual has the right to acquire within 60 days thereof through the exercise of stock options and the vesting of restricted stock units (RSUs), as well as those shares that were actually owned as of April 10, 2017 for:

- each of our directors and director nominees;
- our chief executive officer, our chief financial officer and each of the other individuals who met the requirements of a named executive officer as of fiscal year-end (the "named executive officers");
- all individuals who serve as directors or executive officers as of April 10, 2017 as a group; and
- each person (including any "group" as that term is used in Rule 13(d)(3) of the Securities Exchange Act of 1934 who is known by us to own beneficially more than 5% of our common stock as of the date identified on their Schedule 13G or 13D filing.

As of April 10, 2017, 329,363,144 shares of the Company's common stock were issued and outstanding.

Directors, Officers and 5% Stockholders	Shares Beneficially Owned[1]	Percent[*]	Shares Owned Outright[2]
Directors			
W. Steve Albrecht[3]	184,739	*	163,280
Eric A. Benhamou[4]	189,997	*	168,538
Oh Chul Kwon[5]	69,124	*	47,665
Wilbert van den Hoek[6]	110,161	*	88,702
Michael S. Wishart[7]	129,654	*	73,797
Named Executive Officers			
H. Raymond Bingham[8]	364,573	*	147,796
Hassane El-Khoury[9]	373,966	*	342,074
Dana C. Nazarian[10]	550,303	*	550,303
Joseph Rauschmayer[11]	207,245	*	151,256
T.J. Rodgers[12]	8,727,619	2.6%	8,727,619
Thad Trent[13]	293,903	*	244,836
All directors and executive officers of the Company at fiscal year-end as a group[14]	2,266,420	*	1,826,991
5% Stockholders			
BlackRock, Inc.[15] 55 East 52nd Street New York, NY 10055	25,406,494	7.7%	—
The Vanguard Group[16] 100 Vanguard Blvd. Malvern, PA 19355	28,645,862	8.7%	—
Waddell & Reed Financial, Inc.[17] 6300 Lamar Avenue Overland Park, KS 66202	17,412,071	5.3%	—

* Less than 0.5%. See footnotes on the next page.

1. For each person and group included in this column excluding those companies listed under the *5% Stockholders* heading, beneficially owned shares includes the number of shares of common stock that such person or group had the right to acquire within 60 days after April 10, 2017.
2. For each person and group included in this column excluding those companies listed under the *5% Stockholders* heading, shares owned by such person or group excludes the number of shares of common stock that such person or group had the right to acquire within 60 days after April 10, 2017.
3. Shares Beneficially Owned includes 163,280 shares of common stock held directly by Mr. Albrecht and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 163,280 shares of common stock held directly by Mr. Albrecht, and excludes 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
4. Shares Beneficially Owned includes 168,538 shares of common stock held directly by Mr. Benhamou and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 168,538 shares of common stock held directly by Mr. Benhamou, and excludes 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017
5. Shares Beneficially Owned includes 47,665 shares of common stock held directly by Mr. Kwon and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 47,665 shares of common stock held directly by Mr. Kwon, and excludes 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
6. Shares Beneficially Owned include 88,669 shares of common stock held directly by Mr. van den Hoek, 33 shares of common stock held indirectly by Mr. van den Hoek and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes includes 88,669 shares of common stock held directly by Mr. van den Hoek and 33 shares of common stock held indirectly by Mr. van den Hoek, and excludes 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
7. Shares Beneficially Owned includes 73,797 shares of common stock held directly by Mr. Wishart, an option to purchase 34,398 shares of common stock, which is fully vested, and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 73,797 shares of common stock held directly by Mr. Wishart, and excludes an option to purchase 34,398 shares of common stock, which is fully vested, and 21,459 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
8. Shares Beneficially Owned includes 77,160 shares of common stock held directly by Mr. Bingham and the Raymond and Kristin Bingham Revocable Trust, 70,636 shares of common stock held indirectly by Bingham Investments L.P., an option to purchase 184,275 shares of common stock, which is fully vested, and 32,502 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 77,160 shares of common stock held directly by Mr. Bingham and the Raymond and Kristin Bingham Revocable Trust, and 70,636 shares of common stock held indirectly by Bingham Investments L.P., and excludes an option to purchase 184,275 shares of common stock, which is fully vested, and 32,502 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
9. Shares Beneficially Owned includes 342,074 shares of common stock held directly by Mr. El-Khoury, options to purchase 13,488 shares of common stock and 18,404 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 342,074 shares of common stock held directly by Mr. El-Khoury, and excludes options to purchase 13,488 shares of common stock and 18,404 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.
10. Shares Beneficially Owned and Shares Owned Outright both include 550,303 shares of common stock held directly by Mr. Nazarian
11. Shares Beneficially Owned includes 151,256 shares of common stock held directly by Mr. Rauschmayer and options to purchase 55,989 shares of common stock, which are fully vested. Shares Owned Outright includes 151,256 shares of common stock held directly by Mr. Rauschmayer and excludes options to purchase 55,989 shares of common stock, which are fully vested.

12. Shares Beneficially Owned and Shares Owned Outright both include 8,727,619 shares of common stock beneficially owned by Mr. Rodgers, 100 shares of which are held of record by the Rodgers Massey Revocable Living Trust Dtd 04/04/11. Certain entities and individuals may be deemed to be associates of Mr. Rodgers under the Exchange Act. Information in this footnote 12 regarding the ownership of Shares Beneficially Owned and Shares Owned Outright by Mr. Rodgers, and of associates or related trusts, is based on information from Schedule 14A Information (preliminary proxy statement) filed by Mr. Rodgers with the SEC on March 14, 2017. Mr. Rodgers has pledged 7,620,519 shares of common stock in a single margin account. As of March 14, 2017, none of these shares is subject to a margin call. The pledged shares are not used to shift or hedge any economic risk in owning common stock. These shares collateralize loans used to primarily fund Mr. Rodgers' purchase of common stock upon the exercise of certain option grants prior to their expiration over the past years. Information regarding the shares of common stock held in a margin account by Mr. Rodgers is based on information from Schedule 14A Information (preliminary proxy statement) filed by Mr. Rodgers with the SEC on March 14, 2017.

13. Shares Beneficially Owned includes 244,836 shares of common stock held directly by Mr. Trent, options to purchase 47,734 shares of common stock and 1,333 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 244,836 shares of common stock held directly by Mr. Trent, and excludes options to purchase 47,734 shares of common stock and and 1,333 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.

14. Shares Beneficially Owned includes 1,826,991 shares of common stock held directly or indirectly by our directors, executive officers, and their family members, options to purchase 279,895 shares of common stock and 159,534 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017. Shares Owned Outright includes 1,826,991 shares of common stock held directly or indirectly by our directors, executive officers, and their family members and excludes options to purchase 279,895 shares of common stock and 159,534 shares of common stock issuable upon vesting of RSUs within sixty days of April 10, 2017.

15. The ownership information set forth in the table and this footnote is based on information contained in a statement on Schedule 13G/A filed with the Securities and Exchange Commission (the "SEC") on January 23, 2017. BlackRock, Inc. has sole voting power with respect to 24,272,994 shares and sole dispositive power with respect to 25,406,494 shares of common stock.

16. The ownership information set forth in the table and this footnote is based on information contained in a statement on Schedule 13G/A filed with the SEC on February 9, 2017. The Vanguard Group has sole voting power with respect to 190,189 shares, shared voting power with respect to 36,289 shares, sole dispositive power with respect to 28,436,360 shares and shared dispositive power with respect to 209,502 shares of common stock.

17. The ownership information set forth in the table and this footnote is based on information contained in a statement on Schedule 13G/A filed with the SEC on February 14, 2017. Waddell & Reed Financial, Inc. has indirect sole voting power and indirect sole dispositive power with respect to 17,412,071 shares of common stock. Waddell & Reed Financial Services, Inc. and Waddell & Reed, Inc. each have indirect sole voting power and indirect sole dispositive power with respect to 6,594,931 shares of common stock. Waddell & Reed Investment Management Company has direct sole voting power and direct sole dispositive power with respect to 6,594,931 shares of common stock. Ivy Investment Management Company has direct sole voting power and direct sole dispositive power with respect to 10,817,140 shares of common stock.

COMPENSATION COMMITTEE REPORT

The information in this report shall not be deemed to be “soliciting material” or “filed” with the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), except to the extent that Cypress specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

We have reviewed and discussed the following Compensation Discussion and Analysis (which is incorporated by reference in this report) with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement on Schedule 14A.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Eric A. Benhamou, Chairman
Wilbert van den Hoek
Michael S. Wishart

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

This Compensation Discussion and Analysis (CD&A) describes Cypress's executive compensation philosophies, objectives and programs, as well as the compensation-related actions taken in fiscal year 2016 for the following named executive officers (NEOs):

Name	Title
Hassane El-Khoury	Current President and Chief Executive Officer (from August 10, 2016); Former Office of the CEO (from April 29, 2016 to August 10, 2016); Former Executive Vice President, Programmable Systems Division (until August 10, 2016)
Thad Trent	Chief Financial Officer and Executive Vice President, Finance and Administration; Former Office of the CEO (from April 29, 2016 to August 10, 2016)
Dana C. Nazarian	Executive Vice President, Operations and Technology (from August 10, 2016); Former Office of the CEO (from April 29, 2016 to August 10, 2016); Former Executive Vice President, Memory Products Division (until August 10, 2016)
Joseph Rauschmayer	Executive Vice President, Manufacturing; Former Office of the CEO (from April 29, 2016 to August 10, 2016)
H. Raymond Bingham	Executive Chairman (from August 10, 2016)
T.J. Rodgers	Former President and Chief Executive Officer (until April 28, 2016); Technical Advisor (from April 29, 2016 to August 10, 2016)

This CD&A also summarizes our planned compensation changes for fiscal year 2017.

In this CD&A section, the terms "we," "our," and "us" refer to management, the Company and sometimes as applicable, the Compensation Committee ("Committee") of the Company's Board. When referring to the CEO in any narrative disclosure, such reference is to Cypress's CEO at the end of fiscal year 2016, Hassane El-Khoury.

Executive Summary

2016 was a year of change and transformation for Cypress. Our founder and long-term President and Chief Executive Officer, T.J. Rodgers, stepped down in April 2016. In connection with Mr. Rodgers departure, the Board formed the Office of the President and Chief Executive Officer (OCEO), which consisted of Hassane El-Khoury, Thad Trent, Dana Nazarian and Joseph Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Ray Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board. The Executive Chairman role is anticipated to be a short-term position, providing support to the CEO and focused externally on customers and investment opportunities. The Board evaluates, on a periodic basis, the continued need for the Executive Chairman position.

In addition, due to the nature of these executive officer changes, the Company's 2016 executive compensation program included a number of compensation events that would not be experienced in a typical year. These include:

- the departure of a long-term CEO and entry into an accompanying severance agreement;
- the creation of the OCEO and the award of equity grants in connection with service on the OCEO;
- the promotion of an internal executive to be the new CEO, including the grant of a significant equity award in connection with such promotion; and
- the creation of the Executive Chairman position, including the grant of a significant equity award in connection with such new position.

As discussed in greater detail below, the compensation program established by the Company in 2017 reflects a more typical annual compensation cycle, without distortion from a series of atypical events at the executive officer level.

Business Highlights

With the appointment of Mr. El-Khoury as the new CEO, Cypress began a global restructuring plan and launched various long-term strategic corporate initiatives, collectively being referred to as Cypress 3.0 initiatives. The Cypress 3.0 initiatives intend to: increase our focus on becoming a solutions driven company, increase ease of doing business, redeploy personnel and resources to target market segments that are expected to grow faster than the industry (including automotive, industrial and the Internet of Things (IoT)), and streamline our internal processes.

Cypress accomplished the following in fiscal year 2016:

- continued to execute on our gross margin improvement plan while reducing inventory, as we completed our lean inventory initiative and burned through over $80 million of excess inventory in 2016 as planned;
- acquired Broadcom's IoT business to expand our connectivity products focused on automotive, industrial and consumer IoT markets;
- increased our automotive business by 37% over fiscal year 2015;
- returned $170.9 million to Cypress stockholders, through $141.4 million in cash dividends and $29.5 million in stock repurchases;
- completed the integration of Spansion, Inc. ("Spansion"), recognizing a total of $188.5 million in annualized cost synergies from the merger of Cypress with Spansion in fiscal year 2015; and
- closed a $111.4 million dollar investment in Deca Technologies Inc., an entity partially owned by Cypress, from two strategic investors.

Responding to our Stockholders

When determining executive compensation, the Committee considers the results of the annual advisory "say-on-pay" vote cast by stockholders. Cypress received a 90% passing vote at its 2016 annual meeting, at which stockholders approved Cypress's executive compensation programs. Cypress believes it is critical to continue to expand the dialogue with stockholders to receive additional feedback and further explain its compensation philosophy and practices. As such, Cypress conducted an investor outreach program in fiscal year 2016 with the Company's top stockholders. As a result of such discussions, Cypress is retaining certain changes first made in fiscal year 2014, including providing more disclosure on multi-year equity grants and modifying performance milestones to ensure greater alignment with stockholders' interests. Cypress also instituted a "no pledging" policy based on our discussions with our investors.

Compensation Processes and Philosophy

Cypress's Philosophy

Cypress's executive compensation programs are designed to attract, motivate, and retain NEOs, who are critical to Cypress's success. Under these programs, NEOs are rewarded for achieving specific short- and long-term strategic, corporate goals, and realizing increased stockholder value.

Cypress's philosophy is to target NEO total direct compensation at approximately the 50th percentile among the named peer group companies, for median levels of performance, with higher compensation for above plan performance and lower compensation for below plan performance. We accomplish this through:

- base salary levels that are targeted to the median for our peer group;
- target cash incentive awards that are close to the median target awards of our peers;
- stock-based compensation, which results in target total direct compensation at the median of the peer group;
- equity grants generally weighted more towards performance-based shares, with single and multi-year measurement periods, and weighted less towards service-based shares; and
- a standard employee benefits package.

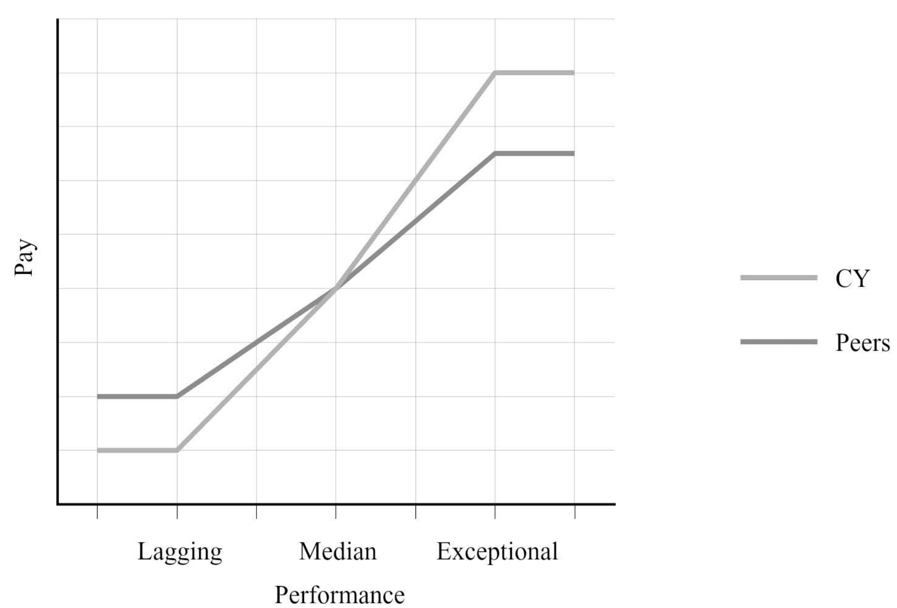
In addition, Cypress is approximately near the median of its peer group in terms of annual revenue and market capitalization.

In a typical year, the Cypress Incentive Plan (CIP) provides a good example of how pay is materially impacted by performance. Each year we establish corporate and individual scorecards comprised of critical success factors (CSFs) on a quarterly and annual basis. These scorecards are derived from the Company's annual plan. The annual plan is management's best estimate of the Company's performance in that year. Cypress NEOs receive compensation (i) above target levels to the extent performance exceeds targeted annual plan levels, and (ii) below target if the Company does not achieve annual plan goals.

However, in fiscal year 2016, due to the departure of Mr. Rodgers, the creation of the Office of the CEO and the appointment of a new CEO in August 2016, the Committee granted RSUs in lieu of a cash payment under the CIP. The grants were equivalent to approximately 43% of the annualized target cash incentive to each of Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. In addition, the Committee granted RSUs equivalent to approximately 29% and 25% of the annualized target cash incentive to Messrs. El-Khoury and Bingham for their roles as CEO and Executive Chairman, respectively. The grants to Messrs. El-Khoury and Bingham were calculated in light of the fact that they were appointed to their new positions in August 2016. These RSU grants were in lieu of potential payouts under the CIP and were granted partially as a retention vehicle and partially as a reward for assisting Cypress during this transition, with the value dependent on the Company's stock price. These RSU grants reflect the unique circumstances of the new CEO transition year, are meant to be a one-time deviation from the CIP program, and fully vested on January 31, 2017.

The performance-based stock awards granted by the Company are intended to provide similar leveraged opportunities. The performance-based stock awards are based on Committee approved annual and multi-year goals as well as Company performance metrics, such as Cypress's TSR relative to peers, and are intended to significantly reward for over-performance and penalize for under-performance.

The Company's compensation plans provide significant pay-for-performance variability, with the opportunity to earn pay higher than peers at exceptional levels of performance, while paying less than peers for lagging levels of performance, as illustrated in the chart below.



Cypress's compensation programs are designed to achieve the following objectives:

Attract and Retain Top Talent

Cypress aims to attract and retain top talent to compete effectively and retain the highest quality of executives who will determine its long-term success. Cypress has structured its executive compensation program to be competitive with compensation paid by companies in the same market for executive talent, which may include public and private companies. This is very important, especially in the Silicon Valley area where Cypress is headquartered. To ensure Cypress remains competitive, Cypress generally administers an annual compensation review process to evaluate whether the current level of cash and equity compensation for each executive is adequate and then makes adjustments based on merit.

Pay-for-Performance

Cypress uses pay-for-performance compensation programs to align executive compensation with its achievements on both a short- and long-term basis. NEOs' target total direct compensation is generally heavily weighted towards at-risk, performance-based cash and equity compensation, which includes quarterly and annual incentive cash bonuses and performance stock units. The performance targets under these programs are challenging and pre-determined both at the corporate level, through corporate goals, and at a personal level - for cash bonuses - through individual goals set for each applicable period. This aligns NEO compensation with stockholder interests by tying a significant portion of total direct compensation to achieving performance goals designed to ensure Cypress's financial and operational success over both the short- and long-term. Both are set in advance and pre-approved by the Committee. Compensation is designed to be very rewarding when the goals are achieved above target and to result in limited or no payout when the goals are not achieved, with the Committee providing oversight to ensure payouts are consistent with financial results.

Process

The Committee reviews and approves all compensation for NEOs, including salary, bonus, equity compensation, and other employee benefits. The Committee consists entirely of independent directors and has a two-fold philosophy regarding the total compensation of senior executives. First, the Committee seeks to encourage and reward executives for achievements that are critical to Cypress's performance and profitability over both the short- and long-term by tying a significant portion of NEOs' total compensation directly to Cypress's financial, operational and stock price performance. Second, the Committee seeks to ensure that executive compensation is competitive by targeting the total direct compensation of each executive at approximately the 50th percentile of executive compensation of Cypress's peer group of companies. The actual percentile may vary depending on Cypress's financial performance, each executive's individual performance and importance to Cypress, or internal equity considerations among all senior management. As Cypress's performance improves, so does the compensation of its NEOs. However, the Committee may also use its judgment to apply negative discretion to reduce payouts of certain compensation programs.

The Role of the Independent Compensation Consultant

The Committee retained Pearl Meyer & Partners ("Pearl Meyer") as its compensation consultant for fiscal year 2016. Pearl Meyer is independent from Cypress, has not provided any services to Cypress other than to the Committee, and receives compensation from Cypress only for services provided to the Committee. The Committee typically asks Pearl Meyer to attend its regular meetings, including executive sessions at which management is not present. The Committee worked directly with Pearl Meyer to develop compensation recommendations for Cypress's NEOs.

The Role of Management

The CEO also makes recommendations to the Committee about the compensation of the other NEOs based on their achievement of quarterly, annual and multi-year objectives. While the Committee is solely responsible for approving executive compensation, the human resources executive and the CEO support the work of the Committee and Pearl Meyer. The Committee meets frequently in executive session without management present. In making its compensation determinations, the Committee also annually reviews the total compensation that each NEO and other key executives are eligible to receive against the compensation levels of comparable positions of a peer group of companies using survey data and the peer group companies' proxy statements. The Committee periodically completes a review considering multi-year wealth accumulation and uses both internal and peer data.

Peer Group Companies

The Committee modified Cypress's peer group companies in early 2016 to better align the group with Cypress's revenue and market capitalization, and to account for mergers and acquisitions within the industry. The Committee selected peer companies that were publicly traded, headquartered in the United States, competed in the semiconductor industry, and were broadly similar to Cypress in their product and services offerings, revenue size and market capitalization and which Cypress competed with for talent. Cypress's compensation consultant provided additional analysis and recommendations regarding Cypress's peer group. The Committee removed Altera Corporation, Atmel Corporation, Freescale Semiconductor, Inc. and Omnivision Technologies, Inc. from Cypress's 2016 peer group due to them having been acquired. The Committee added Cirrus Logic, Inc., Cree, Inc., Linear Technology Corp. and Vishay Intertechnology Inc. to Cypress's 2016 peer group based on the factors described above. **The Committee believes that the 2016 peer group is an improvement in terms of size as compared to Cypress's 2015 peer group, given that Cypress is approximately near the median of this group's annual revenue and market capitalization, thereby making comparisons more relevant.** Cypress's 2016 peer group companies are listed in the table below:

2016 Peer Group Companies	
Advanced Micro Devices, Inc.	Microsemi Corporation
Analog Devices, Inc.	NVIDIA Corporation
Cirrus Logic, Inc.	ON Semiconductor Corp.
Cree, Inc.	Qorvo, Inc.
Fairchild Semiconductor International, Inc.	Skyworks Solutions, Inc.
Linear Technology Corporation	Synaptics Incorporated
Maxim Integrated Products Inc.	Vishay Intertechnology Inc.
Microchip Technology Inc.	Xilinx Inc.

Elements of Compensation

The components of Cypress's executive compensation program are: (i) base salary; (ii) service-based equity; (iii) performance-based compensation, consisting of variable and at-risk incentive cash compensation and equity awards; and (iv) limited benefit programs, such as Cypress's deferred compensation plans. Cypress offers standard health benefits and an employee stock purchase program to all employees. Cypress does not offer any perquisites to its NEOs and does not allow them to pledge Cypress stock.

Compensation	Objectives	Key Features
Base Salary	Provides a fixed level of compensation to reward demonstrated experience, skills and competencies relative to the market value of the job.	Targeted at the 50th percentile of Cypress's peer group on average, but varies based on skills, experience and other factors. Adjustments are considered annually based on individual performance, level of pay relative to the market, and internal pay equity.
Cypress Incentive Plan (CIP)[1]	Rewards achievement of strategic corporate objectives and individual milestones using a balanced scorecard. Aligns NEOs interests with those of stockholders by providing awards tied to performance based on revenue, earnings-per-share and meeting certain strategic corporate objectives.	Targeted at the 50th percentile of Cypress's peer group; 100% at-risk based on individual and company performance. Cypress's CEO and executive chairman are each eligible to earn 125% of their base salary at target, and all other NEOs are eligible to earn 70% of their respective base salaries. The CIP bonus is partially based on Cypress meeting revenue, EPS, and strategic corporate objectives.[2] The Company granted service-based restricted stock units in lieu of the CIP in fiscal year 2016 due to the CEO transitions within the year.

Compensation	Objectives	Key Features
Restricted Stock Units (RSUs)	Provides an opportunity for wealth creation and ownership, promoting retention and enabling us to attract and motivate Cypress's NEOs.	Service-based equity operating under the PARS program. The grants comprised approximately 43% of the total PARS grant in fiscal year 2016, vesting over a period of two years from the date of grant. Annual grants are based on individual performance, level of pay relative to the market, and internal pay equity.
Performance Stock Units (PSUs)[1]	Aligns NEOs interests with stockholder interests by linking part of each NEOs compensation to long-term corporate performance.	Designed to provide total direct compensation (base + annual incentive + equity awards) at approximately the 50th percentile of Cypress's peer group's total direct compensation in years when performance meets stated objectives, but can be higher or lower depending on the performance in that year. For fiscal year 2016, performance-based equity awards granted were contingent on the following performance milestones and equaled approximately 57% of the total PARS grant: · Gross Margin · New Product The Committee may apply negative discretion to these grants. For a detailed explanation of the PARS calculation, please see the section entitled "*Performance-Based Equity Compensation - 2016 Multi-Year Performance Accelerated Restricted Stock Program (PARS)*."
Non-Qualified Deferred Compensation	Provides retirement savings in a tax-efficient manner.	NEOs can elect to defer up to 75% of their base salaries or 100% of their annual incentive cash payments, if any cash incentives are paid. Balances in the deferred compensation plans are unfunded obligations and at risk. Investment returns on balances are linked to the returns on mutual funds and other publicly-traded securities and do not generate any above market or preferential returns. Cypress does not guarantee any return or provide any matching contributions.
Other Compensation/ Benefits[3]		Cypress does not provide any material perquisites to the NEOs and limits all other compensation to its NEOs.

1. The compensation received under the CIP and the PSUs granted under the PARS program are designed to qualify as "performance-based compensation" within the meaning of Section 162(m) (Performance-Based Compensation) of the Internal Revenue Code. Notwithstanding Cypress's efforts, no assurance can be given that compensation designed to satisfy such tax requirements does in fact do so.

2. Calculation of CIP - Payments under the CIP are calculated as follows:

Base Salary **x** Incentive Target **x** Funding % **x** Individual Goal Achievement %

Incentive Target - the Incentive Target is based on each employee's position within the Company. The Incentive Target for our CEO and Executive Chairman is 125% and is 70% for all of our other NEOs.

Funding % - the Funding % for fiscal year 2016 was comprised of a two dimensional matrix of revenue and EPS (70%) and strategic corporate goals (30%).

Individual Goal Achievement % - The final element of the CIP in fiscal year 2016 was the achievement of individual milestones, which were measurable quarterly, and annual performance goals that were identified by NEOs and reviewed, modified as appropriate, and approved in advance by the chief executive officer. The milestones varied by person and were a mix of short- and long-term goals that were focused on factors critical to the success of Cypress, including financial, market share, new customer, new product and operational initiatives. The milestones for each period were scored on a scale of 0% to 100%, with each milestone weighted by a specific point value based on its importance to Cypress and/or its level of difficulty. Specific scoring parameters that were used to determine whether the milestone had been achieved were also identified in advance in writing. At the end of each fiscal quarter, or fiscal year, as applicable, the NEOs "scored" their milestones based on the scoring parameters previously established. Their scores were reviewed, adjusted if necessary, and approved by the CEO.

2016 CIP Calculation - In fiscal year 2016, due to the departure of Mr. Rodgers, the creation of the Office of the CEO and the appointment (in August 2016) of a new CEO, the Committee granted RSUs in lieu of any cash incentive payment under the CIP. The Committee granted RSUs equivalent to approximately 43% of the annualized target cash incentive to each of Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. In addition, the Committee granted RSUs equivalent to approximately 29% and 25% of the annualized target cash incentive to Messrs. El-Khoury and Bingham for their roles as CEO and Executive Chairman, respectively. The grants to Messrs. El-Khoury and Bingham were calculated in light of the fact that they were appointed to their new positions in August 2016. These RSUs were in lieu of potential payouts under the CIP and were granted partially as a retention vehicle and partially as a reward for assisting Cypress during this transition. These RSU grants reflect the unique circumstances of the new CEO transition year, are meant to be a one-time deviation from the CIP program, and fully vested on January 31, 2017.

2017 CIP Calculation - In fiscal year 2017, the Compensation Committee approved the following bonus program. There are five payments in the CIP, one for each quarter and one annual payment; each of these five payments is worth 20% of the NEO's target CIP bonus. Payments under the CIP are calculated as follows:

Base Salary **x** Incentive Target **x** 20% x Funding % **x** Individual Goal Achievement %

Incentive Target - the Incentive Target is based on each employee's position within the Company. The Incentive Target for our CEO and Executive Chairman is 125% and is 70% for all of our other NEOs.

Funding % - the Funding % for fiscal year 2017 was comprised of a two dimensional matrix of revenue (50%) and profit before tax % (50%) as measured each quarter and for the year.

Individual Goal Achievement % - The final element of the CIP for fiscal year 2017 is the achievement of individual milestones, which are measurable quarterly, and annual performance goals that were identified by NEOs and reviewed, modified as appropriate, and approved in advance by the chief executive officer. The milestones vary by person and are a mix of short- and long-term goals that are focused on factors critical to the success of Cypress. The milestones for each period will be scored on a scale of 0% to 100%, with each milestone weighted by a specific point value based on its importance to Cypress and/or its level of difficulty. Specific scoring parameters that are used to determine whether the milestone has been achieved are also identified in advance in writing. At the end of each fiscal quarter, or fiscal year, as applicable, the NEOs will "score" their milestones based on the scoring parameters previously established. Their scores will be reviewed, adjusted if necessary, and approved by the CEO.

3. Other Compensation/Benefits

Non-Qualified Deferred Compensation - Cypress also maintains unfunded, non-qualified deferred compensation plans. The plans allow eligible participants, including NEOs, to voluntarily defer receipt of a percentage of up to 75% of their base salary or 100% of their cash bonus payment, as the case may be, until the date or dates elected by the participants, thereby allowing the participating employees to defer taxation on such amounts. There are two non-qualified deferred compensation plans available, one of which pays a death benefit equal to two times participant contributions; the two plans are otherwise identical. All eligible employees have the option to choose one plan in which they participate. Please refer to the table entitled "*Non-Qualified Deferred Compensation*" in the section entitled "*Executive Compensation Tables*" for employee contributions and performance under this benefit plan in fiscal year 2016.

Other Compensation Limited - Cypress limits all other compensation to its NEOs. For example, Cypress does not provide a defined benefit pension plan, a match of employee contributions to its 401(k) plan or any other material perquisites. In addition, directors and NEOs are not permitted to pledge Cypress stock.

Cypress 2016 Executive Compensation

Summary of 2016 Executive Officer Changes

2016 was a year of change and transformation for Cypress. Our founder and long-term President and Chief Executive Officer, T.J. Rodgers, stepped down in April 2016. In connection with Mr. Rodgers departure, the Board formed the OCEO, which consisted of Messrs. El-Khoury, Trent, Nazarian and Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Mr. Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board. The Executive Chairman role is anticipated to be a short-term position, providing support to the CEO and focused externally on customers and investment opportunities. The Board evaluates, on a periodic basis, the continued need for the Executive Chairman position.

In addition, due to the nature of these executive officer changes, the Company's 2016 executive compensation program included a number of compensation events that would not be experienced in a typical year. These include:

- the departure of a long-term CEO and entry into an accompanying severance agreement;
- the creation of the OCEO and the award of equity grants in connection with service on the OCEO;
- the promotion of an internal executive to be the new CEO, including the grant of a significant equity award in connection with such promotion; and
- the creation of the Executive Chairman position, including the grant of a significant equity award in connection with such new position.

As discussed in greater detail below, the compensation program established by the Company in 2017 reflects a more typical annual compensation cycle, without distortion from a series of atypical events at the executive officer level.

New CEO

As we stated earlier, fiscal year 2016 was a year of change for Cypress, including the appointment (in August 2016) of Hassane El-Khoury as our new President and Chief Executive Officer. Pearl Meyer, the Committee's independent executive compensation consultant, reviewed external market data of our peer group for the CEO role, to assist the Committee in its determination of Mr. El-Khoury's compensation for serving as CEO. The Committee, in consultation with Pearl Meyer, developed a potential compensation package for Mr. El-Khoury which was then deliberated and approved. Mr. El-Khoury's base salary was set at $650,000 per year, which is less than the 50th percentile of the peer group's base salary for similar roles. His bonus target was set at 125% of his base salary, which is approximately the median of bonus targets for CEO's in Cypress's peer group.

In connection with his promotion to the CEO position, Mr. El-Khoury was awarded $2.5 million worth of service-based RSUs, scheduled to vest quarterly in equal installments over three years. The Committee further approved granting him $4.5 million during the first quarter of fiscal year 2017, during Cypress's normal executive equity grant cycle. Mr. El-Khoury's offer letter containing the foregoing terms was unanimously approved by the Board. On March 16, 2017, the Committee approved an equity grant for Mr. El-Khoury in the form of 190,260 performance-based PSUs and 158,577 service-based RSUs as part of the overall fiscal year 2017 PARS program. The details of the 2017 PARS program are set forth under "*Cypress 2017*

Compensation Actions." Resulting fiscal year 2017 target total direct compensation for Mr. El-Khoury is below the market median of CEO pay among Cypress's peer group companies.

Executive Chairman
In August 2016, the Board appointed Mr. Bingham to the position of Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board. Cypress's peer group did not have equivalent compensation data for the role of Executive Chairman. The Executive Chairman position is generally less prevalent in public companies, which typically have a combined Chairman and CEO position or a non-executive Chairman position. Accordingly, Pearl Meyer reviewed a survey with a broader peer group of 69 companies in order to assist the Committee in its determination of Mr. Bingham's compensation for serving as the Executive Chairman. Generally, the Executive Chairman's compensation in this survey ranged from 40% to 90% of the CEO's target compensation. Typically the compensation mix (base salary, cash bonus target and equity) was consistent with CEO compensation arrangements.

Mr. Bingham's role as Executive Chairman is considered a part-time, transitional role, with varying time commitments based on existing engagements and the needs of the Company. As Executive Chairman, Mr. Bingham is engaged in a multitude of activities on behalf of the Company, including (i) the facilitation of the transition from Mr. Rodgers to Mr. El-Khoury, (ii) serving as a mentor to the new CEO, (iii) conducting site visits in key locations, such as Japan, China, India and Germany, (iv) meeting with customers, and (v) participating in the development of the Company's strategic initiatives, including driving key commercial and financial negotiations, partnering on investor relations outreach, providing advice on mergers and acquisitions, and representing the Company at industry events. In light of these responsibilities, the Committee, after some deliberation, agreed to set Mr. Bingham's total compensation equivalent to approximately 60% of Mr. El-Khoury's. Consequently, Mr Bingham's base salary was set at $390,000 per year and his bonus target was set at 125% of his annual base salary. In addition, Mr. Bingham was awarded $1.5 million worth of service-based RSUs, scheduled to vest quarterly in equal installments over three years. The Committee also approved granting him $3.0 million of equity in the first quarter of fiscal year 2017. Mr. Bingham's offer letter containing the foregoing terms was unanimously approved by the Board. On March 16, 2017, the Committee approved an equity grant for Mr. Bingham in the form of 232,558 service-based RSUs, which are scheduled to vest quarterly in equal installments over three years from the date of grant.

Fixed Compensation - Base Salary
Cypress targets the NEOs' base salaries at approximately the 50th percentile of base salaries for similar positions and experience level in its peer group of companies. In fiscal year 2016, as part of its annual review of executive compensation, the Committee reviewed the base salaries of our NEOs, focusing on the competitiveness of salaries. Below is a summary of the salary of our NEOs for fiscal year 2016:

Named Executive Officer	2016 Base Salary	% Increase from 2015
Hassane El-Khoury[1]	$650,000	140%
Thad Trent	$350,000	0%
Dana C. Nazarian	$279,965	0%
Joseph Rauschmayer	$345,213	0%
Ray Bingham[2]	$390,000	N/A
T.J. Rodgers[3]	$600,000	0%

1. Mr. El-Khoury's base salary was increased to $650,000 upon his appointment as President and Chief Executive Officer.
2. Mr. Bingham was not an employee of the Company prior to being appointed as Executive Chairman.
3. Mr. Rodgers base salary was reduced to $300,000 when he stepped down as President and Chief Executive Officer.

Promotion and New Hire Equity Grants

Mr. El-Khoury received an RSU grant with an aggregate value of $2.5 million in connection with his August 2016 appointment as President and CEO, which vests in equal quarterly installments over a three-year period. Mr. El-Khoury also received an additional equity award in the form of 190,260 performance-based PSUs and 158,577 service-based RSUs in the first quarter of fiscal year 2017, as part of the overall fiscal year 2017 PARS program. The details of the 2017 PARS program are set forth under "*Cypress 2017 Compensation Actions*."

Mr. Bingham received an RSU grant with an aggregate value of $1.5 million in connection with his August 2016 appointment as Executive Chairman, which vests in equal quarterly installments over a three-year period. Mr. Bingham also received an additional equity award in the form of 232,558 service-based RSUs in the first quarter of fiscal year 2017, which are scheduled to vest quarterly in equal installments over three years from the date of grant.

Performance-Based Incentive Cash Compensation

In fiscal year 2016, due to the departure of Mr. Rodgers, the creation of the Office of the CEO and the appointment (in August 2016) of a new CEO, the Committee granted RSUs in lieu of any cash incentive payment under the CIP. The RSU grants were equivalent to approximately 43% of the annualized target cash incentive to each of Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. In addition, the Committee granted RSUs equivalent to approximately 29% and 25% of the annualized target cash incentive, to Mr. El-Khoury and Mr. Bingham for their roles as CEO and Executive Chairman, respectively. The grants to Messrs. El-Khoury and Bingham were calculated in light of the fact that they were appointed to their new positions in August 2016. These RSU grants were in lieu of potential payouts under the CIP and were granted partially as a retention vehicle and partially as a reward for assisting Cypress during this transition, with the value dependent on the Company's stock price. These RSU grants reflect the unique circumstances of the new CEO transition year, are meant to be a one-time deviation from the CIP program, and fully vested on January 31, 2017. The number of RSUs received in lieu of the CIP payout are set forth below:

Named Executive Officer	RSU Grant
Hassane El-Khoury	21,494
Thad Trent	9,484
Dana C. Nazarian	7,586
Joseph Rauschmayer	9,613
Ray Bingham	11,080
T.J. Rodgers	—

Performance-Based Equity Compensation

2016 Multi-Year Performance Accelerated Restricted Stock Program (PARS)

In early 2016, the Committee set the performance goals under which participants were eligible to earn their PARS shares. There are three components to the grants under the 2016 multi-year PARS program: (i) Service-Based Milestone, (ii) Gross Margin Milestone, and (iii) New Product Milestone. Awards contingent on performance comprised approximately 57% of the fiscal year 2016 award. The table below shows the number of shares underlying the awards pertaining to each component.

PARS Participant	Service Based	Gross Margin Milestone	New Product Milestone	Total Grant
Hassane El-Khoury	33,000	22,000	22,000	77,000
Thad Trent	27,000	18,000	18,000	63,000
Dana C. Nazarian	33,000	22,000	22,000	77,000
Joseph Rauschmayer	33,000	22,000	22,000	77,000
Ray Bingham	—	—	—	—
T.J. Rodgers	72,000	48,000	48,000	168,000

The grants made for each of the three components of the multi-year PARS program granted in fiscal year 2016 vest over a one or two year period, as illustrated by the table below (totals are rounded):

Milestone	% of Total Grant Scheduled to Vest in Fiscal Year 2016	% of Total Grant Scheduled to Vest in Fiscal Year 2017	Total
Gross Margin	21.5%	7%	28.5%
New Product	21.5%	7%	28.5%
Service-Based	—	43%	43%
Total	**43%**	**57%**	**100%**

The milestones for each grant component and the actual percent achieved in fiscal year 2016 were as follows:

(1) Service-Based Milestone
Service-based RSUs vest over a two year period if the NEO remains an employee in good standing of Cypress and is in a similar role, same or higher pay grade and same or increased scope of responsibilities as the NEO's role on the grant date. No service-based RSUs were earned in fiscal year 2016.

(2) Gross Margin Milestone
Cypress must achieve a threshold level of Gross Margin performance before any NEO will earn any PSUs. If Gross Margin goals are achieved at target levels, NEOs will have the potential to earn the target number of PSUs for meeting this milestone. The number of PSUs earned will be linearly interpolated for Gross Margin performance achieved between threshold and target, and target to maximum. The maximum number of PSUs which may be earned for the Gross Margin performance goals is 200% of target.

2016 Performance Results: 21.5% of the PARS granted in fiscal year 2016 and earnable in fiscal year 2016 were contingent on the Company's achievement of the Gross Margin Milestone. The Company's threshold gross margin for fiscal year 2016 was 38.4% and target was 40%. Cypress's gross margin for fiscal year 2016 was 39% and, as a result, **8.5% of the Gross Margin Milestone shares were earned**.

(3) New Product Milestone
Aggressive development and production milestones have been established for fiscal years 2016 and 2017 for the next generation programmable system on chip (PSoC) and are interlocked with customer schedules. Cypress must reach a threshold level of PSoC development or production milestones before any NEO will earn any PSUs. If development or production milestones are achieved at target levels, executives will have the potential to earn the targeted number of PSUs. The number of PSUs earned will be linearly interpolated for development or production milestones achieved between threshold and target, and target to maximum. The maximum number of PSUs which may be earned for the PSoC development or production milestones is 200% of target.

2016 Performance Results: 21.5% of the PARS granted in fiscal year 2016 and earnable in fiscal year 2016 were contingent on the Company's achievement of the New Product Milestone. The Company met the development and production milestones at target levels and, as a result, **100% of the New Product Milestone shares were earned**.

2015 Multi-Year Performance Accelerated Restricted Stock Program (PARS)
The NEOs also were also eligible to earn the following shares under the 2015 multi-year PARS program after fiscal year 2015:

PARS Participant	Service Based	TSR Milestone	Synergy Milestone	EPS Milestone	Total Grant
Hassane El-Khoury	60,000	36,000	42,000	24,000	162,000
Thad Trent	60,000	36,000	42,000	24,000	162,000
Dana C. Nazarian	60,000	36,000	42,000	24,000	162,000
Joseph Rauschmayer	60,000	36,000	42,000	24,000	162,000
Ray Bingham	—	—	—	—	—
T.J. Rodgers	120,000	72,000	84,000	48,000	324,000

Each of the four components of the grants under the multi-year PARS program granted in fiscal year 2015 vests over a one, two or three year period. The table below illustrates the percentage of the grant remaining after fiscal year 2015 (totals are rounded):

Milestone	% of Total Grant for Fiscal Year 2016	% of Total Grant for Fiscal Year 2017	Total
Service-Based	10.6%	10.6%	21.2%
TSR	6.4%	6.4%	12.8%
Synergy	10.6%	4.3%	14.9%
EPS	6.4%	2.1%	8.5%
Total	**34.0%**	**23.4%**	**57.4%**

The milestones for each grant component and the actual percent achieved in fiscal year 2016 were as follows:

(1) Service-Based Milestones

Service-based RSUs vest over a one-, two- and three-year period if the NEO remains an employee in good standing of Cypress and is in a similar role, same or higher pay grade and same or increased scope of responsibilities as the NEO's role on the grant date.

(2) TSR Milestones

TSR will be measured relative to Cypress's peer group for each of fiscal years 2015, 2016 and 2017. A series of one, two and three year periods was used to phase-in the awards.

In each performance period, Cypress's TSR must be above the 25th percentile of the peer group before any NEO will earn any PSUs. If Cypress's TSR is at the 65th percentile of the peer group, our NEOs will have the potential to earn the target number of PSUs. If Cypress's TSR is at the 90th percentile or higher, our NEOs will have the potential to earn the maximum number of PSUs, which is 200% of target. The number of PSUs earned will be linearly interpolated between the indicated performance levels. Importantly, if Cypress's TSR is negative, the number of PSUs earned based on achievement of the other milestones (if any) will be reduced by 50%.

2016 Performance Results: 6.4% of the PARS granted in fiscal year 2015 and earnable in fiscal year 2016 were contingent on the Company's one-year TSR performance period (from January 4, 2016 through January 1, 2017). Cypress's TSR was below the 15th percentile of the peer group and, as a result, **none of the TSR Milestone shares were earned**.

(3) Synergy Milestones

Company-specific synergy (cost savings related to the Spansion merger) performance goals have been defined for each of fiscal years 2015, 2016 and 2017. Synergy achievement will be reported with Cypress's financial results for the respective periods. Similar to the TSR milestones, Cypress must achieve a threshold level of synergy performance before any NEO will earn any PSUs. If synergy goals are achieved at target levels, our NEOs will have the potential to earn the targeted number of PSUs. The number of PSUs earned will be linearly interpolated for synergy performance achieved between threshold and target, and target to maximum. The maximum number of PSUs which may be earned for the synergy performance goals is 200% of target. For fiscal years 2015, 2016 and 2017, the performance goals were based on the annualized cost savings as of the end of the fourth quarter of each year given the incremental quarterly improvement anticipated to achieve our overall synergy goals. As announced at the time of the merger, the company's objective was to achieve $135 million in cost savings within three years.

2016 Performance Results: 10.6% of the PARS granted in fiscal year 2015 and earnable in fiscal year 2016 were contingent on the Company's achievement of the Synergy Milestone. The Company generated annualized synergy savings of $188.5 million for fiscal year 2016, earning a payout at 200% of target **and the maximum number of shares were earned for this portion of the award**.

(4) EPS Milestones

Company-specific EPS performance goals have been defined for each of fiscal years 2015, 2016 and 2017. Similar to the TSR and Synergy Milestones, Cypress must achieve a threshold level of non-GAAP EPS performance before any NEO will earn any PSUs. If non-GAAP EPS goals are achieved at target levels, executives will have the potential to earn the targeted number of PSUs. The number of PSUs earned will be linearly interpolated for non-GAAP EPS performance achieved between threshold and target, and target to maximum. The maximum number of PSUs which may be earned for the non-GAAP EPS performance goals is 200% of target. Due to the expected impact of the Synergy Milestones on our non-GAAP EPS and the uncertainty with the speed with which those savings could be achieved, the performance goals for fiscal years 2015 and 2016 are based on annualized fourth quarter non-GAAP EPS. Fiscal year 2017 non-GAAP EPS goals are based on the full twelve month period.

2016 GAAP Adjustments: To derive the Non-GAAP results for fiscal year 2016, the Company's GAAP results were adjusted for certain items including, but not limited to, share based compensation, amortization of intangibles and other acquisition related charges and restructuring charges. Consequently, the Company's Non-GAAP EPS is impacted by such adjustments. The Company provides a reconciliation of GAAP and Non-GAAP earnings per share, as well as a list of certain limitations in using Non-GAAP measures, in the Company's quarterly earnings release.

2016 Performance Results: 6.4% of the PARS granted in fiscal year 2015 and earnable in fiscal year 2016 were contingent on the Company's achievement of non-GAAP EPS metrics during fiscal year 2016. For fiscal year 2016, **the Company achieved 33% of the minimum required non-GAAP EPS and, as a result, none of the EPS Milestone shares were earned**.

Other Compensation

In April 2016, the Board formed the Office of the CEO, which consisted of Messrs. El-Khoury, Trent, Nazarian and Rauschmayer. Each member of the Office of the CEO (which was in place from April 29, 2016 until August 10, 2016) received a service-based RSU grant in the amount of 20,000 shares for serving as a member of the OCEO. The grant vested on December 31, 2016.

Risk Considerations

The Committee regularly considers the risks associated with Cypress's compensation policies and practices for employees, including those related to executive compensation programs. As part of the risk assessment, the Committee reviews Cypress's compensation programs to avoid certain design features that have been identified by experts as having the potential to encourage excessive risk-taking.

Material risk in our compensation program design is mitigated in several ways, including:

- we have an appropriate mix of pay elements, with compensation well-balanced between fixed and variable elements, and short- and long-term incentives;
- base salaries are intended to constitute a sufficient component of total compensation to discourage undue risk taking in order to meet incentive goals;
- incentive plans are designed with goals that are intended to result in long-term value to our stockholders;
- financial and earnings goals and opportunities in our incentive programs are at levels intended to be attainable without the need to take inappropriate risks;
- bonus and incentive opportunities are capped so that the upside potential is not so large as to encourage undue risk taking;
- the majority of our equity incentives vest or are earned over a multi-year period, which requires the executive to bear the economic risk of the award over the vesting or performance period;
- our incentive plans define a range of performance over which payouts may be earned, including at levels below target achievement, rather than an "all-or-nothing" approach;
- we generally use different performance measures in different incentive programs, which provides balance and reduces the potential for taking undue risks to meet a single goal;
- the stock components of our long-term incentive program, combined with our stock ownership guidelines, align the interests of our executives with long-term preservation and appreciation of stockholder value;
- incentive payments and awards are subject to clawback in the event of a material restatement of our financial results; and
- the Committee considers information from peer companies in evaluating compensation levels and incentive plan designs, thereby avoiding unusually high pay opportunities relative to the Company's peers.

The Committee has reviewed compensation related risks and does not believe Cypress's compensation programs encourage excessive or inappropriate risk taking or create risks that are reasonably likely to have a material adverse effect on Cypress. In fulfilling its responsibilities, the Committee may, to the extent permitted under applicable law, the Nasdaq Listing Rules, the rules of the Securities and Exchange Commission (the "SEC") and the Internal Revenue Code, and Cypress's certificate of incorporation and bylaws, delegate any or all of its responsibilities to a subcommittee. The Committee, with the assistance of Pearl Meyer, intends to continue, on an on-going basis, a process of thoroughly reviewing Cypress's compensation policies and programs to ensure that its compensation programs and risk mitigation strategies continue to discourage imprudent risk-taking activities.

In discharging its duties, the Committee selects and retains the services of compensation consultants in order to have independent, expert perspectives on matters related to executive compensation, company and executive performance, equity plans, peer group and other issues. The Committee has the sole authority to determine the scope of services for these consultants and may terminate the consultants' services at any time. The fees of these consultants are paid by Cypress. In fiscal year 2016, the Committee retained the services of Pearl Meyer for various compensation-related services.

Stock Ownership Requirements

The table below summarizes the stock ownership policy and status among our directors and NEOs as of April 10, 2017.

	Stock Ownership Requirement	Shares Actually Held
Chief Executive Officer	6X base compensation	7.31X base compensation
All Other Named Executive Officers	4X base compensation	5.3X - 27.3X base compensation
Non-Employee Directors	30,000 shares	47,665 - 168,538 shares

As a result of the above requirements, our directors and NEOs will continue to hold a substantial amount of their net worth in shares of Cypress common stock, and maintain an even stronger alignment with the Company and our stockholders.

Named Executive Officers

Our CEO is required to own Company common stock having a value of at least six times his annual base salary. Common stock only includes shares directly owned and does not include any granted stock option awards, even if vested and in the money. Our NEOs, excluding our CEO, are required to own Company common stock having a value of at least four times their annual base salary. Individuals have three years to meet the stock ownership requirement. If the stock ownership requirement is not met after three years, then the NEO must hold all future shares that vest (net of taxes) until the stock ownership requirement is met. All of our NEOs, excluding Messrs. Bingham and Rauschmayer, meet the stock ownership requirements. Mr. Bingham did not become a NEO until August 10, 2016 and has three years to meet the stock ownership requirements. Mr. Rauschmayer is no longer a NEO and therefore is no longer required to meet the stock ownership requirements.

Directors

Cypress's non-employee directors are required to own at least 30,000 shares of common stock, which is approximately eight times a director's annual retainer of $50,000 (assuming a stock price of $13.33 per share). All of our non-employee directors meet the stock ownership requirements.

Pledging Policy

Cypress adopted and formalized a written pledging policy in fiscal year 2014 and the Committee approved modifications to the policy on February 15, 2017. As of February 15, 2017, directors and NEOs are no longer permitted to pledge Cypress stock.

No NEO currently employed by the Company holds Cypress securities that are pledged pursuant to a margin account or loan or otherwise.

Employment Agreements and Severance Arrangements

Severance Policy

The Committee approved a severance policy (the "Policy") applicable to certain of its officers (each, a "Participating Officer") on May 26, 2016. The Policy applies to all of our NEOs, excluding Messrs. Bingham and El-Khoury, and Mr. Rodgers, who was no longer the Company's President and CEO at the time the Policy was approved. The Policy expires on August 10, 2017, which is twelve months after the date Hassane El-Khoury was appointed as President and Chief Executive Officer. Under the terms of the Policy, if a Participating Officer is terminated by the Company other than for cause, he or she will be entitled to receive the following severance benefits, subject to signing and not revoking the Company's Separation Agreement and General Release of all Claims:

- Lump sum payment equal to 14 months of annual base salary.
- Lump sum payment equal to 14 months of COBRA premiums for medical, dental and vision coverage.
- Accelerated vesting with respect to 100% of the unvested portion of any outstanding equity-based awards that would have vested during the 14 months following such termination.
- Fourteen months of annual target bonus at one hundred percent (100%) for the fiscal year in which the termination occurs.

Change of Control Severance Agreements

Cypress entered into Change of Control Severance Agreements (each an "Agreement") with certain of its officers (each, a "Covered Officer") in fiscal year 2016. All of our NEOs, excluding Messrs. Bingham and Rodgers, are Covered Officers and have entered into an Agreement with Cypress; provided, however, that Mr. El-Khoury's Agreement has been superseded by his Employment Agreement. Pursuant to the Agreement, if the Company or any successor terminates the employment of a Covered Officer other than for "Cause" (as defined in the Agreement), death or Disability (as defined in the Agreement), or a NEO terminates his or her employment for "Good Reason" (as defined in the Agreement) during the period beginning three months prior to, and ending twelve months after, the occurrence of a Change of Control (as defined in the Agreement), the Covered Officer will be entitled to receive the following compensation and benefits, subject to the Covered Officer signing and not revoking a standard release of claims in a form reasonably acceptable to the Company (the "Release") no later than 60 days following the Covered Officer's termination of employment:

- Lump sum severance payment equal to 14 months of annual base salary plus 14 months of the Covered Officer's annual target bonus.
- Accelerated vesting of all outstanding unvested equity-based compensation awards held by the Covered Officer.
- Lump sum payment equal to 14 months of COBRA premiums for the Covered Officer and any eligible spouse and/or dependents.

Severance payments under the Agreement are to be paid the first business day after the Release becomes effective, subject to a delay of up to six months as necessary in order to comply with Section 409A of the Internal Revenue Code. The initial term of the Agreement is two years from the date the Agreement became effective, which for our NEOs was May 26, 2016 (the "Initial Term") and on each one year anniversary thereafter it will renew automatically for additional one year terms (each, an "Additional Term") unless either party provides written notice of non-renewal to the other party. If a Change of Control occurs when there are fewer than twelve months remaining in the Initial Term, or during an Additional Term, the term of the Agreement will automatically extend through the date that is twelve months following the date of the Change of Control. Executives may not receive benefits under both the Severance Policy and the Change of Control Severance Agreements.

Chief Executive Officer Employment Agreement

Cypress entered into an at-will employment agreement with Mr. El-Khoury on November 30, 2016. Mr. El-Khoury's employment agreement provides for a minimum base salary of $650,000 and $2.5 million worth of service-based RSUs (which grant was made upon Mr. El-Khoury's promotion in August 2016), scheduled to vest quarterly in equal installments over three years. His employment agreement also provides for an additional equity grant valued at $4.5 million, scheduled to be granted in the first quarter of fiscal year 2017. In the event Mr. El-Khoury is terminated without cause or voluntarily resigns with good reason, he is entitled to the following severance benefits:

- Lump sum severance payment equal to 24 months of annual base salary plus 24 months of his annual target bonus.
- Accelerated vesting of all outstanding unvested equity-based compensation awards and a period of 12 months to exercise such awards.
- Payment of benefits (health, dental, vision, EAP) premiums for a period of 24 months, covering Mr. El-Khoury and his dependents.

Executive Chairman Employment Agreement
Cypress entered into an at-will employment agreement with Mr. Bingham on November 7, 2016. Mr. Bingham's employment agreement provides for a minimum base salary of $390,000 per year and $1.5 million worth of service-based RSUs (which grant was made upon Mr. Bingham's promotion in August 2016), scheduled to vest quarterly in equal installments over three years. His employment agreement also provides for an additional equity grant valued at $3.0 million, scheduled to be granted in the first quarter of fiscal year 2017.

Clawback Policy
Cypress's clawback policy requires the return of performance-based compensation payments to Cypress (i) by any executive engaged in (a) fraud, theft, misappropriation, embezzlement or dishonesty, or (b) intentional misconduct related to Cypress's financial reporting, or (ii) in the event of a material negative revision of any financial or operating measure on which performance-based compensation was paid out to such executive.

Cypress 2017 Compensation Actions
Base Salary Increases
Effective January 2, 2017 Messrs. Nazarian and Trent's annual base salaries were increased to $350,000 and $400,000, respectively, based on a review of their jobs compared to the peer group of companies and their performance. No other NEOs base salaries were increased.

2017 Cypress Incentive Plan Program
For fiscal year 2017, the Committee approved the following parameters for the CIP:

Calculation of CIP - There are five payments in the CIP, one for each quarter and one annual payment; each of these five payments is worth 20% of the NEO's target CIP bonus. Payments under the CIP are calculated as follows:

Base Salary **x** Incentive Target **x** 20% **x** Funding % **x** Individual Goal Achievement %

Incentive Target - the Incentive Target is based on each employee's position within the Company. The Incentive Target for our CEO and Executive Chairman is 125% and is 70% for all of our other NEOs.

Funding % - the Funding % for fiscal year 2017 was comprised of a two dimensional matrix of revenue (50%) and profit before tax % (50%) as measured each quarter and for the year.

Individual Goal Achievement % - The final element of the CIP for fiscal year 2017 is the achievement of individual milestones, which are measurable quarterly, and annual performance goals that were identified by NEOs and reviewed, modified as appropriate, and approved in advance by the chief executive officer. The milestones vary by person and are a mix of short- and long-term goals that are focused on factors critical to the success of Cypress. The milestones for each period will be scored on a scale of 0% to 100%, with each milestone weighted by a specific point value based on its importance to Cypress and/or its level of difficulty. Specific scoring parameters that are used to determine whether the milestone has been achieved are also identified in advance in writing. At the end of each fiscal quarter, or fiscal year, as applicable, the NEOs will "score" their milestones based on the scoring parameters previously established. Their scores will be reviewed, adjusted if necessary, and approved by the CEO.

2017 Multi-Year Performance Accelerated Restricted Stock Program (PARS)
On March 16, 2017, the Committee approved the 2017 multi-year PARS program. In connection with the approval of the 2017 multi-year PARS program, the Committee set the milestones under which participants are eligible to earn their PARS shares with approximately 55% based on performance milestones and approximately 45% based on service milestones. There are six components to the grants under the 2017 multi-year PARS program: (i) Debt Leverage Milestones, (ii) Profit Before Tax Milestones, (iii) Strategic Initiatives Milestones, (iv) Gross Margin Milestones, (v) Revenue Growth Milestones, and (vi) Service-Based Milestones. For the performance-based components of the PARS grants (debt leverage, profit before tax, strategic initiatives, gross margin and revenue growth), a participant is eligible to receive performance-based shares if he satisfies the applicable vesting and performance criteria approved by the Committee and may receive up to 200% of the performance target depending on the level of performance achieved. For the service-based component of the PARS grants, a participant is eligible to earn 100% of his targeted service-based shares if he remains an employee in good standing of the Company through the applicable vesting date.

The table below shows the number of shares underlying the awards pertaining to each component. For the performance-based components of the PARS grant, the amounts shown below are the target amount.

PARS Participant	Debt Leverage	Profit Before Tax	Strategic Initiatives	Gross Margin	Revenue Growth	Service Based[1]	Total
Hassane El-Khoury	31,710	47,565	15,855	31,710	63,420	158,577	348,837
Thad Trent	11,499	17,248	5,749	11,499	22,998	57,507	126,500
Dana C. Nazarian	9,408	14,112	4,704	9,408	18,816	47,052	103,500

1. Two-thirds of the service-based awards are scheduled to vest on February 1, 2019 (nearly two years following the grant date) and the remaining one-third are scheduled to vest on February 3, 2020 (nearly three years following the grant date).

The 2017 multi-year PARS program complements the 2015 and 2016 multi-year PARS programs, which include grants with various performance-based milestones, including achievement of total stockholder return, earnings per share, and gross margin milestones.

The grants made for each of the six components of the multi-year PARS program granted in fiscal year 2017 vest over a one, two or three year period, as illustrated by the table below:

Milestone	% of Total Grant Scheduled to Vest in Fiscal Year 2017	% of Total Grant Scheduled to Vest in Fiscal Year 2018	% of Total Grant Scheduled to Vest in Fiscal Year 2019	Total
Service-Based	—	30.3%	15.2%	45.5%
Debt Leverage	9.1%	—	—	9.1%
Profit Before Tax	4.5%	—	9.1%	13.6%
Strategic Initiatives	4.5%	—	—	4.5%
Gross Margin	—	9.1%	—	9.1%
Revenue Growth	—	9.1%	9.1%	18.2%
Total	**18.1%**	**48.5%**	**33.4%**	**100%**

Executive Chairman

On March 16, 2017, Mr. Bingham was awarded a service-based award of 232,558 restricted stock units. This grant vests quarterly in equal installments over a period of three years from the date of grant.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table shows compensation information for fiscal years 2016, 2015 and 2014 for our NEOs.

Name and Principal Position[1]	Year	Salary[2] ($)	Bonus[3] ($)	Stock Awards[4] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation[5] ($)	All Other Compensation[6] ($)	Total Compensation ($)
Hassane El-Khoury[7] President, Chief Executive Officer and Director	2016	401,964	1,500	3,168,799	—	210,641	760	3,783,664
	2015	270,650	1,500	4,141,380	—	7,919	10,327	4,431,776
	2014	—	—	—	—	—	—	—
Thad Trent Executive Vice President, Finance & Administration, Chief Financial Officer	2016	350,000	—	581,200	—	92,943	983	1,025,126
	2015	350,000	—	4,570,040	—	8,865	30,155	4,959,060
	2014	268,593	—	330,844	—	33,500	24,495	657,432
Dana C. Nazarian Executive Vice President, Operations & Technology	2016	279,968	—	668,800	—	78,343	786	1,027,897
	2015	279,965	—	4,141,830	—	7,499	27,478	4,456,772
	2014	278,891	—	717,731	—	35,840	30,056	1,062,518
Joseph Rauschmayer Executive Vice President, Manufacturing	2016	345,213	—	668,800	—	94,207	997	1,109,217
	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
Ray Bingham[8] Executive Chairman	2016	138,000	—	1,499,991		108,584	456	1,747,031
	2015	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	—
T.J. Rodgers[9] Former President, Chief Executive Officer and Director	2016	310,384	750	3,065,000	—	—	4,591,394	7,967,528
	2015	600,000	—	8,282,760	—	35,993	8,382	8,927,135
	2014	599,997	—	1,327,806	—	154,985	48,455	2,131,243

1. Mr. Rodgers resigned as President and CEO on April 28, 2016, but remained with the Company as a technical advisor and a director until August 10, 2016. In connection with Mr. Rodgers departure as President and CEO, the Board formed the Office of the President and Chief Executive Officer (OCEO), which consisted of Mr. El-Khoury, Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Mr. Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board.
2. Represents salary earned in fiscal years 2016, 2015 and 2014.
3. Mr. El-Khoury received a $1,500 patent bonus in fiscal year 2016. Mr. Rodgers received a $750 patent bonus award in fiscal year 2016. No other NEO received any cash incentives in fiscal year 2016 given that it is generally against Cypress's pay-for-performance philosophy to award discretionary cash incentives to its NEOs.

4. Amounts shown for fiscal years 2016, 2015 and 2014 do not reflect compensation actually received by each NEO. The amounts shown for fiscal years 2016 and 2015 represent the performance stock units and restricted stock units granted in fiscal years 2016 and 2015, computed in accordance with FASB ASC Topic 718 (which excludes the impact of estimated forfeitures related to service-based vesting conditions). For information on the assumptions used to calculate the value of the awards for fiscal year 2016, refer to Note 9 to our consolidated financial statements in our Annual Report of Form 10-K for the fiscal year ending January 1, 2017. 57% of the stock units granted in fiscal year 2016 could not be earned in fiscal year 2016. Following are additional details regarding the fiscal year 2016 PARS grants:

Named Executive Officer	Value of Shares Delivered in Fiscal Year 2017 on the Date of Delivery ($)	Shares Earnable in Fiscal Year 2017	Shares Earnable in Fiscal Year 2018
Hassane El-Khoury	343,030	33,000	44,000
Thad Trent	280,661	27,000	36,000
Dana C. Nazarian	343,030	33,000	44,000
Joseph Rauschmayer	343,030	33,000	44,000
Ray Bingham	—	—	—
T.J. Rodgers[1]	1,742,160	—	—

1. Mr. Rodgers shares were delivered to him in fiscal year 2016, upon termination of his employment with the Company.

For information on the assumptions used to calculate the value of the awards for fiscal year 2015, refer to Note 8 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ending January 3, 2016. 66% of the shares granted in fiscal year 2015 could not be earned in fiscal year 2016. The vesting schedule for the fiscal year 2015 grant is 43% vesting in fiscal year 2016, 34% vesting in fiscal year 2017 and 23% vesting in fiscal year 2018 - all vesting subject to meeting a combination of performance-based and service-based milestones. Following are additional details regarding the fiscal year 2015 grants:

Named Executive Officer	Value of Shares Delivered in Fiscal Year 2017 on the Date of Delivery ($)	Shares Earnable in Fiscal Year 2017	Shares Earnable in Fiscal Year 2018
Hassane El-Khoury	1,184,078	96,000	66,000
Thad Trent	1,184,078	96,000	66,000
Dana C. Nazarian	1,184,078	96,000	66,000
Joseph Rauschmayer	1,184,078	96,000	66,000
Ray Bingham	—	—	—
T.J. Rodgers	3,359,880	—	—

For fiscal year 2014, the amounts shown represent the number of shares delivered, valued at the price determined at the time of grant. Prior to the delivery of the shares for fiscal year 2014, we had assumed that 100% of the Tier 1 and Tier 2 PARS grants would be achieved, with a TSR factor of 1. Based on our initial assumptions for fiscal year 2014, the amounts reportable would have been as follows: Mr. Trent, $589,300; Mr. Nazarian, $2,010,000; and Mr. Rodgers, $3,718,500; Messrs. El-Khoury, Rauschmayer and Bingham were not NEOs in fiscal year 2014.

5. Includes bonus amounts earned under the CIP, or one of our previous bonus plans (the Key Employee Bonus Program and Performance Bonus Plan), for services rendered in the respective fiscal years. No cash was earned under the CIP in fiscal year 2016; NEOs (excluding Mr. Rodgers) were granted a one-time RSU grant in lieu of the quarterly and annual CIP payout for fiscal year 2016, which fully vested on January 31, 2017.

6. The amounts reported in this column include payments by the Company of term life insurance premiums for the NEOs. Cypress is not the beneficiary of the life insurance policies. NEOs participate in the same life insurance program as all other Cypress employees, which pays out at one times the employee's annual base pay. Amounts shown also reflect paid time off cashed out and pay in lieu of holidays by Mr. Rodgers for fiscal years 2016 and 2014 of $40,074 and $40,073, respectively and a $4,500,000 payment as part of his severance package; pay in lieu of holidays and paid time off cashed out by Mr. Trent for fiscal years 2015 and 2014 of $29,667 and $23,351, respectively; pay in lieu of holidays and paid time off cashed out by Mr. El-Khoury for fiscal year 2015 of $10,089; and paid time off cashed out by Mr. Nazarian for fiscal years 2015 and 2014 of $27,064 and $28,141, respectively. Amount shown for Mr. Rodgers also includes $6,288.88 in COBRA premiums paid by the Company and $45,000 for reimbursement of certain HSR filing fees incurred by Mr. Rodgers.

7. Mr. El-Khoury's annual salary was $270,650 until he was appointed (in August 2016) as the Company's President and Chief Executive Officer, at which time his annual salary was adjusted to $650,000.

8. Mr. Bingham's annual salary is $390,000 and is pro-rated for the time he served as Executive Chairman in fiscal year 2016. Mr. Bingham's stock awards include awards made for the time he served as Executive Chairman and excludes the grants made for his service as a non-employee director. The non-employee director grant information is set forth in the Director Compensation table of this Proxy Statement.

9. Mr. Rodgers annual salary was $600,000 until he stepped down as President and Chief Executive Officer (in April 2016), at which time his annual salary was adjusted to $300,000 until he was no longer employed by the Company (which occurred in August 2016).

GRANTS OF PLAN-BASED AWARDS

Fiscal Year Ended January 1, 2017

The following table shows all plan-based awards granted to our named executive officers ("NEOs") during fiscal year 2016.

Name and Principal Position[1]	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]			All Other Stock Awards: Number of Shares of Stock or Units (#)[7]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/SH)	Grant Date Fair Value of Stock and Option Awards ($)[8]
		Threshold ($)	Target ($)[4]	Maximum ($)	Threshold (#)	Target (#)[5]	Maximum (#)[6]				
Hassane El-Khoury President, Chief Executive Officer and Director	4/1/2016	—	—	—	—	44,000	88,000	33,000	—	—	674,520
	5/5/2016	—	—	—	—	—	—	20,000	—	—	187,000
	8/10/2016	—	—	—	—	—	—	220,848	—	—	2,499,999
	11/3/2016	—	—	—	—	—	—	21,494	—	—	210,641
	—	—	523,581	1,047,163	—	—	—	—	—	—	—
Thad Trent Executive Vice President, Finance and Administration, Chief Financial Officer	4/1/2016	—	—	—	—	36,000	72,000	27,000	—	—	551,880
	5/5/2016	—	—	—	—	—	—	20,000	—	—	187,000
	11/3/2016	—	—	—	—	—	—	9,484	—	—	92,943
	—	—	262,500	525,000	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
Dana C. Nazarian Executive Vice President, Operations & Technology	4/1/2016	—	—	—	—	44,000	88,000	33,000	—	—	674,520
	5/5/2016	—	—	—	—	—	—	20,000	—	—	187,000
	11/3/2016	—	—	—	—	—	—	7,586	—	—	74,343
	—	—	209,974	419,947	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	
Joseph Rauschmayer Executive Vice President, Manufacturing	4/1/2016	—	—	—	—	44,000	88,000	33,000	—	—	674,520
	5/5/2016	—	—	—	—	—	—	20,000	—	—	187,000
	11/3/2016	—	—	—	—	—	—	9,613	—	—	94,207
	—	—	266,074	532,147	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
Ray Bingham Executive Chairman	8/10/2016	—	—	—	—	—	—	132,508	—	—	1,499,991
	11/3/2016	—	—	—	—	—	—	11,080	—	—	108,584
	—	—	121,875	243,750	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
T.J. Rodgers Former President, Chief Executive Officer and Director	4/1/2016	—	—	—	—	96,000	192,000	72,000	—	—	1,471,860
	—	—	334,485	666,970	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—

1. Mr. Rodgers resigned as President and CEO on April 28, 2016, but remained with the Company as a technical advisor and a director until August 10, 2016. In connection with Mr. Rodgers departure as President and CEO, the Board formed the Office of the President and Chief Executive Officer (OCEO), which consisted of Mr. El-Khoury, Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Mr. Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board.

2. Represents potential performance compensation that could be earned under the CIP program in fiscal year 2016. The columns show the amounts that could be earned at the threshold, target and maximum levels of performance. The amounts for Mr. El-Khoury and Mr. Bingham have been pro-rated.

3. Represents the PSUs granted under our PARS program at 100% of the Gross Margin Milestone and New Product Milestone in fiscal year 2016. The columns show the stock that could be earned at the threshold, target and maximum levels of performance. Please see the "*Option Exercises and Stock Vesting*" table for the actual amounts earned by our NEOs in fiscal year 2016 under the PARS program.

4. Represents the CIP bonus at 100% of target. Messrs. Trent, Nazarian and Rauschmayer's possible payout figures have been pro-rated based on bonus target reductions from 80% to 70% which were implemented at the beginning of Q3. Mr. El-Khoury's possible payout figures take into account his 2016 mid-year base salary and bonus target change. Mr. Bingham's possible payout figure is

pro-rated based on his August hire date. For fiscal year 2016, each NEO (other than Mr. Rodgers) was awarded an RSU grant in lieu of any cash bonus that would have otherwise been payable under the CIP; each such grant represents a contingent right to receive Company common stock on a one-for-one basis and the shares were fully vested on January 31, 2017. The number of RSUs granted were as follows: Mr. El-Khoury, 21,494; Mr. Trent, 9,484; Mr. Nazarian, 7,586; Mr. Rauschmayer, 9,613; Mr. Bingham, 11,080; and Mr. Rodgers, 0.

5. 57 percent of the shares granted could not be earned in fiscal year 2016.

6. The following number of shares were delivered in fiscal year 2017: Mr. El-Khoury, 25,850; Mr. Trent, 21,150; Mr. Nazarian, 25,850; Mr. Rauschmayer, 25,850; Mr. Bingham, 0; and Mr. Rodgers, 0.

7. When Mr. Rodgers resigned as the President and CEO, the board formed the Office of the CEO. Messrs. El-Khoury, Trent, Nazarian and Rauschmayer each received a grant of 20,000 RSUs on May 5, 2016, for the additional responsibilities they were asked to perform as members of the Office of the CEO. The August 10, 2016 RSU grants to Mr. El-Khoury and Mr. Bingham were in connection with their appointments as President and CEO and Executive Chairman, respectively. Refer to footnote 4 above for additional information on the RSU grants awarded (in November 2016) in lieu of a cash bonus under the Company's CIP program.

8. Represents the target number of shares multiplied at the grant date fair value. See the "*Summary Compensation Table*" above for the value of shares actually delivered.

OUTSTANDING EQUITY AWARDS

Fiscal Year Ended January 1, 2017

Name and Principal Position[1]	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised/ Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock Unvested[2] (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested[4] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
Hassane El-Khoury[5] President, Chief Executive Officer and Director	4,450	—	—	10.47	8/10/2017	—	—	—	—
	4,300	—	—	6.17	3/19/2019	—	—	—	—
	1,339	—	—	2.72	11/20/2018	—	—	—	—
	2,472	—	—	5.55	7/8/2018	—	—	—	—
	927	—	—	6.70	8/8/2017	—	—	—	—
	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	21,494	245,891	—	—
	—	—	—	—	—	202,444	2,315,959	—	—
	—	—	—	—	—	807	9,232	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
Thad Trent Executive Vice President, Finance and Administration, Chief Financial Officer	14,334	5,668	—	11.55	5/30/2021	—	—	—	—
	13,067	2,934	—	11.27	12/18/2020	—	—	—	—
	17,000	—	—	6.17	3/19/2019	—	—	—	—
	—	—	—	—	—	27,000	308,880	—	—
	—	—	—	—	—	20,000	228,800	—	—
	—	—	—	—	—	40,000	457,600	—	—
	—	—	—	—	—	9,484	108,497	—	—
	—	—	—	—	—	2,667	30,510	—	—
	—	—	—	—	—	1,067	12,206	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
	—	—	—	—	—	—	—	36,000	411,840
	—	—	—	—	—	—	—	34,000	388,960
	—	—	—	—	—	—	—	68,000	777,920
Dana C. Nazarian Executive Vice President, Operations & Technology	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	7,586	86,784	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880

Name and Principal Position[1]	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised/ Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock Unvested[2] (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)[3]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested[4] (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested[3] ($)
Joseph Rauschmayer Executive Vice President, Manufacturing	18,017	—	—	4.69	1/31/2020	—	—	—	—
	37,965	—	—	4.09	1/31/2019	—	—	—	—
	7	—	—	8.1	1/31/2018	—	—	—	—
	—	—	—	—	—	33,000	377,520	—	—
	—	—	—	—	—	60,000	686,400	—	—
	—	—	—	—	—	9,613	109,973	—	—
	—	—	—	—	—	—	—	44,000	503,360
	—	—	—	—	—	—	—	102,000	1,166,880
	—	—	—	—	—	—	—	9,100	104,104
Ray Bingham Executive Chairman	14,361	—	—	5.05	4/2/2019	—	—	—	—
	184,275	—	—	7.42	4/1/2018	—	—	—	—
	—	—	—	—	—	11,080	126,755	—	—
	—	—	—	—	—	121,466	1,389,571	—	—
	—	—	—	—	—	21,459	245,491	—	—
	—	—	—	—	—	7,440	85,114	—	—
T.J. Rodgers Former President, Chief Executive Officer and Director	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—

1. Mr. Rodgers resigned as President and CEO on April 28, 2016, but remained with the Company as a technical advisor and a director until August 10, 2016. In connection with Mr. Rodgers departure as President and CEO, the Board formed the Office of the President and Chief Executive Officer (OCEO), which consisted of Mr. El-Khoury, Mr. Trent, Mr. Nazarian and Mr. Rauschmayer. The OCEO reported directly to the Board and performed the duties of the President and Chief Executive Officer from April 29, 2016 to August 10, 2016. Effective August 10, 2016, Mr. El-Khoury was promoted to the position of President and Chief Executive Officer of the Company. In addition, effective August 10, 2016, the Board appointed Mr. Bingham as Executive Chairman, a newly created position pursuant to which Mr. Bingham functions as both an executive officer of the Company and as Chairman of the Board.
2. In 2015 and 2016 grants to our NEOs, other than Mr. Bingham, were made under our PARS program. 43% of the 2016 PARS grants and 32% of the 2015 PARS grants were service-based grants. The grants to Mr. Bingham are 100% service-based awards. Amounts in this column also include promotion grants made to Mr. El-Khoury and Mr. Bingham in August 2016 and grants made in November 2016 in lieu of a cash bonus payment under the Company’s CIP program. For additional information on these grants, see the *Grants of Plan-Based Awards* table above.
3. The amounts are based on the outstanding grants as of the end of fiscal year 2016 and a fiscal year ending value of $11.44 per share.
4. Represents the PSUs granted under our PARS program for meeting 100% of the applicable milestones, which milestones have included gross margin, new product, total stockholder return, synergy savings and earnings per share metrics.
5. Mr. El-Khoury's option grants expiring on July 8, 2018 and August 8, 2017 were awarded under our 2013 Stock Plan and reflect adjustments made, pursuant to the tax free spin-off of SunPower Corporation in which existing awards were multiplied by the SunPower spin-off ratio of 4.12022 to reflect the change in market value of the Company’s common stock following the distribution to the Company’s stockholders of SunPower Corporation class B common stock.

OPTION EXERCISES AND STOCK VESTING

Fiscal Year Ended January 1, 2017

Named Executive Officer	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise[1] ($)	Number of Shares Acquired Upon Vesting (#)	Value Realized Upon Vesting ($)
Hassane El-Khoury	—	—	187,678	1,546,827
Thad Trent	15,450	120,413	184,134	1,549,102
Dana C. Nazarian	31,177	193,897	168,000	1,346,840
Joseph Rauschmayer	—	—	116,494	1,050,778
Ray Bingham[2]	60,000	375,462	11,042	112,849
T.J. Rodgers[3]	1,251,093	8,708,983	786,500	7,327,095

1. The actual amount released to the NEOs represents the total shares multiplied by the market value on the date released. All shares and dollar values are before required tax payments.
2. Reflects options exercised and stock released after the date Mr. Bingham became an employee of the Company.
3. Stock awards for Mr. Rodgers include 492,000 shares ($5.1 million in value realized) that were accelerated in connection with his termination of employment.

NON-QUALIFIED DEFERRED COMPENSATION

Fiscal Year Ended January 1, 2017[1]

Named Executive Officer	Executive Contribution in the Last Fiscal Year[2] ($)	Registrant Contribution in the Last Fiscal Year ($)	Aggregate Earnings in the Last Fiscal Year[3] ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End[4] ($)
Hassane El-Khoury	—	—	—	—	—
Thad Trent	53,854	—	36,822	—	455,359
Dana C. Nazarian	—	—	33,860	—	385,152
Joseph Rauschmayer	—	—	—	—	—
Ray Bingham	—	—		—	
T.J. Rodgers	4,542,098	—	913,634	—	17,189,556

1. Cypress’s two deferred compensation plans provide certain key employees, including executive management, with the ability to defer the receipt of compensation in order to accumulate funds for retirement on a tax-deferred basis. Each participant in Cypress’s deferred compensation plans may elect to defer a percentage of their compensation (annual base salary, cash bonuses and any cash sales commissions) and invest such deferral in any investment that is available on the open market. Cypress does not make contributions to the employees' deferred compensation plans and does not guarantee returns on the investments. Participant deferrals and investment gains and losses remain as Cypress liabilities and the underlying assets are subject to claims of general creditors. Withdrawals and other distributions are subject to the requirements of the U.S. Internal Revenue Code Section 409A.
2. 100% of executive contributions to the non-qualified deferred compensation plans are reported in the Summary Compensation Table.
3. None of the aggregate earnings in the non-qualified deferred compensation plans are reported in the Summary Compensation Table.
4. The aggregate balance amounts under the deferred compensation plans includes deferrals made for prior fiscal years. For individuals who were named executive officers in the fiscal years in which the deferrals were made, the amount of the deferred compensation was included in such individuals’ compensation as reported in the Summary Compensation Table included in the proxy statement for each such fiscal year.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Fiscal Year Ended January 1, 2017

As described in the "*Compensation Discussion and Analysis (CD&A) - Employment Agreements and Severance Arrangements*" Section of this Proxy Statement, the Company has entered into or adopted certain agreements and policies that provide the Company's NEOs severance payments and benefits in the event their employment is terminated under various circumstances.

Company Severance Policy

Each of the NEOs, other than Messrs El-Khoury, Bingham and Rodgers, is eligible for payments under the Company's Severance Policy. The table below sets forth amounts that would have been payable under the Severance Policy to each of the NEOs had his employment been terminated other than for cause on January 1, 2017, subject to the executive signing and not revoking the Company's form of separation agreement and general release of all claims. The Severance Policy expires on August 10, 2017, which is twelve months after the date that Mr. El-Khoury was appointed as President and CEO. The amounts in the table below are calculated based on the base salary and target bonus applicable to the executive in fiscal year 2016.

Named Executive Officer	Salary Payments ($)	Bonus Payments ($)	COBRA Benefits ($)	Equity Acceleration[1] ($)	Total ($)
Hassane El-Khoury	—	—	—	—	—
Thad Trent	408,333	285,833	21,259	2,802,263	3,517,688
Dana C. Nazarian	326,626	228,639	30,710	2,820,944	3,406,919
Joseph Rauschmayer	402,749	281,924	15,171	3,348,918	4,048,762
Ray Bingham	—	—	—	—	—
T.J. Rodgers	—	—	—	—	—

1. The value of equity award acceleration is based on the closing price ($11.44) of the Company's common stock on December 30, 2016, which was the last trading day of the 2016 fiscal year. The 2016 fiscal year ended on January 1, 2017.

Change in Control Severance Agreements

In fiscal year 2016, the Company entered into a Change in Control Severance Agreement with each of the NEOs other than Messrs. Bingham and Rodgers; provided, however, that Mr. El-Khoury's Change in Control Severance Agreement has been superseded by his Employment Agreement. The table below sets forth amounts that would have been payable under the Change in Control Severance Agreements if a change in control had occurred and the executives' employment had terminated either by the Company (other than for cause, death or disability) or by the executive for good reason on January 1, 2017, the last day of fiscal year 2016, subject to the executive signing and not revoking a standard release of claims in a form reasonably acceptable to the Company. The amounts in the table below are calculated based on the base salary and target bonus applicable to the executive in fiscal year 2016. Executives may not receive benefits under both the Severance Policy and the Change in Control Severance Agreement.

Named Executive Officer	Salary Payments ($)	Bonus Payments ($)	COBRA Benefits ($)	Equity Acceleration[1] ($)	Total ($)
Hassane El-Khoury	—	—	—	—	—
Thad Trent	408,333	285,833	21,259	2,817,524	3,532,949
Dana C. Nazarian	326,626	228,639	30,710	2,820,944	3,406,919
Joseph Rauschmayer	402,749	281,924	15,171	3,348,918	4,048,762
Ray Bingham	—	—	—	—	—
T.J. Rodgers	—	—	—	—	—

1. The value of equity award acceleration is based on the closing price ($11.44) of the Company's common stock on December 30, 2016, which was the last trading day of the 2016 fiscal year. The 2016 fiscal year ended on January 1, 2017.

Chief Executive Officer Employment Agreement

Under the terms of the Company's employment agreement with Mr. El-Khoury, described above, entered into on November 30, 2016, if Mr. El-Khoury's employment had been terminated by the Company without cause (and not due to his death or disability) or by Mr. El-Khoury for good reason on the last day of fiscal year 2016, January 1, 2017, he would have been entitled to the severance benefits set forth in the table below. Payment of the severance benefits is subject to Mr. El-Khoury signing and not revoking a general release of claims in a form satisfactory to the Company. The amounts in the table below are calculated based on the base salary and target bonus applicable to Mr. El-Khoury at the end of fiscal year 2016; Mr. El-Khoury was promoted to President and CEO in August 2016.

Named Executive Officer	Salary Payments ($)	Bonus Payments ($)	COBRA Benefits ($)	Equity Acceleration[1] ($)	Total ($)
Hassane El-Khoury	1,300,000	1,625,000	33,398	5,362,858	8,321,256

1. The value of equity award acceleration is based on the closing price ($11.44) of the Company's common stock on December 30, 2016, which was the last trading day of the 2016 fiscal year. The 2016 fiscal year ended on January 1, 2017.

Separation Agreement with Mr. Rodgers

On June 3, 2016, the Company entered into an Employment Agreement and Release with Mr. Rodgers in connection with his departure from the Company. Under his Employment Agreement and Release, Mr. Rodgers received the following separation benefits: (i) a cash severance payment of $4,500,000, which amount is equal to three times his annual base salary and three times his annual bonus opportunity; (ii) acceleration of vesting of all of his outstanding unvested RSUs (192,000) and PSUs (300,000); and (iii) reimbursement of COBRA premiums for a period of up to two years from the date on which Mr. Rodgers ceased to be an employee of the Company (as a Technical Advisor). The table below shows the actual amounts Mr. Rodgers received in connection with the termination of his employment.

Named Executive Officer	Severance Payments ($)	COBRA Benefits ($)	Equity Acceleration[1] ($)	Total ($)
T.J. Rodgers	4,500,000	6,289	5,628,480	10,134,769

1. The value of equity award acceleration is based on the closing price ($11.44) of the Company's common stock on December 30, 2016, which was the last trading day of the 2016 fiscal year. The 2016 fiscal year ended on January 1, 2017.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of Cypress's Board of Directors (the "Board") serves as the representative of the Board with respect to its oversight of:

- Cypress's accounting and financial reporting processes, including the integrity of the Company's financial statements as well as the annual and quarterly audits of such financial statements;
- Cypress's internal controls and the audit of management's assessment of the effectiveness of internal control over financial reporting;
- Cypress's compliance with legal and regulatory requirements;
- Cypress's independent registered public accounting firm's appointment, qualifications and independence, as well as such firm's fees and scope of services;
- risks related to internal controls, financial reporting, fraud, insurance, treasury, compliance and litigation; and
- the performance of Cypress's internal audit function.

The Audit Committee also provides the Board with such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board.

The charter of the Audit Committee is posted on our website at http://investors.cypress.com/corporate-governance.cfm.

Cypress's management has primary responsibility for preparing Cypress's financial statements, establishing the Company's financial reporting process and internal financial controls. Cypress's independent registered public accounting firm, currently PricewaterhouseCoopers LLP, is responsible for expressing an opinion on the conformity of Cypress's financial statements to generally accepted accounting principles and on the effectiveness of Cypress's internal controls over financial reporting. The Audit Committee reviews the Company's financial disclosures and holds regular executive sessions outside the presence of management with our independent registered public accounting firm. The Committee also meets privately, as needed, with our chief financial officer, our legal counsel and our internal auditors to discuss our internal accounting control policies and procedures as well as any other issues raised by the Committee. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in our Annual Report on Form 10-K for our fiscal year ended January 1, 2017, with management, including a discussion of the quality and substance of the accounting principles, the reasonableness of any significant judgment exercised, and the clarity of disclosures in the financial statements. In addition, the Audit Committee reviewed the results of management's assessment of the effectiveness of Cypress's internal control over financial reporting as of January 1, 2017. The Audit Committee reports on these meetings to our full Board of Directors.

The Audit Committee hereby reports as follows:

(1) The Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements in Cypress's Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

(2) The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 1301, *Communication with Audit Committees*, including, among other items, matters related to the conduct by the independent auditors of the audit of Cypress's consolidated financial statements.

(3) The Audit Committee has received the written disclosures and the letter from the independent auditors for Cypress as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the auditors their independence.

Based on the review and discussion referred to in items (1) through (3) above, the Audit Committee recommended to Cypress's Board of Directors, and the Board approved, that the Company's audited financial statements be included in Cypress's Annual Report on Form 10-K for the fiscal year ended January 1, 2017 for filing with the Securities and Exchange Commission (the "SEC"). The Audit Committee also recommended the reappointment of PricewaterhouseCoopers LLP as Cypress's independent registered public accounting firm for fiscal year 2017.

Each member of the Audit Committee that served during fiscal year 2016 was independent as defined under the Nasdaq Listing Rules and the SEC rules applicable to audit committee members during the period in which they served.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

W. Steve Albrecht, Chairman
Eric A. Benhamou
Michael S. Wishart

OTHER REQUIRED DISCLOSURES

Compensation Committee Interlocks and Insider Participation
During fiscal year 2016, the following directors were members of our Compensation Committee: Mr. Eric A. Benhamou, Mr. H. Raymond Bingham, Mr. Wilbert van den Hoek and Mr. Michael S. Wishart. Excluding Mr. Bingham, who is no longer a member of the Compensation Committee, none of the Compensation Committee members is or has at any time been an officer or employee of Cypress. Mr. Bingham resigned from the Compensation Committee effective upon his appointment as Executive Chairman.

None of Cypress's executive officers serves, or in the past fiscal year served, as a member of the board of directors or compensation committee of any entity that has one or more of its named executive officers serving on Cypress's Board of Directors (the "Board") or Compensation Committee.

Policies and Procedures with Respect to Related Person Transactions
Our written Code of Business Conduct and Ethics prohibits our executive officers, directors and employees, or any of such persons' immediate family members or affiliates, from entering into any transaction or relationship that might present a conflict of interest to the Company or such individual. Any potential conflict of interest must be reported to the Company's chief financial officer or the Legal Department for review and, if necessary, escalated to the Audit Committee for further review. Our Audit Committee considers the relevant facts and circumstances available and deemed relevant to the Audit Committee, including, but not limited to the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence.

Certain Relationships and Related Transactions
In fiscal year 2016, we sold approximately $2,600,000 in products to Flex Ltd. (formerly known as Flextronics International Ltd., "Flextronics") and its subsidiaries. Mr. Bingham, our Executive Chairman, sits on the Board of Directors of Flextronics. Mr. Bingham was in no way directly involved in the negotiation of any agreements with Flextronics and did not have any role in determining the price or terms to Flextronics.

In fiscal year 2016, we sold approximately $350,000 in products to Oracle Corporation ("Oracle"). Mr. Bingham, our Executive Chairman, was previously on the Board of Directors of Oracle. Mr. Bingham was in no way directly involved in the negotiation of any agreements with Oracle and did not have any role in determining the price or terms to Oracle.

Other than described above, there are no related person transactions between our directors or executive officers and our Company. For purposes of this section, "related person" and "transaction" have the meanings contained in Item 404 of Regulation S-K.

Section 16(a) Beneficial Ownership Reporting Compliance
Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and 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 changes in ownership on Form 4 or Form 5 with the Securities and Exchange Commission ("SEC"). Such officers, directors and 10% stockholders are also required by the SEC rules to furnish us with copies of all of the forms they filed to comply with Section 16(a) requirements.

We believe that, during fiscal year 2016, our directors, executive officers, and 10% stockholders complied with all Section 16(a) filing requirements.

In making these statements, we have relied upon examination of the copies of Forms 3, 4, and 5, and amendments to these forms, provided to us and certain written representations of our directors, executive officers, and 10% stockholders.

OTHER MATTERS

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

It is important that your stock be represented at the Annual Meeting, regardless of the number of shares you hold. You are, therefore, urged to execute and return your **WHITE** proxy card in the envelope provided or to vote by telephone or online at your earliest convenience.

FOR THE BOARD OF DIRECTORS

Pamela Tondreau
Corporate Secretary

Dated: April 19, 2017

APPENDIX A

INFORMATION CONCERNING PARTICIPANTS

IN THE COMPANY'S SOLICITATION OF PROXIES

The following tables ("Directors and Nominees" and "Officers and Employees") set forth the name, principal business address and the present principal occupation or employment, and the name, principal business and address of any corporation or other organization in which their employment is carried on, of our directors, nominees, officers and employees who, under the rules of the Securities and Exchange Commission, are "participants" in our solicitation of proxies from our shareholders in connection with the 2017 Annual Meeting.

Directors and Nominees
The principal occupations of our directors and nominees who are "participants" in our solicitation are set forth under the section above titled "Proposal One - Election of Directors" of this Proxy Statement. The name, principal occupation and business addresses of the organization of employment of our directors and nominees are as follows:

Name	Occupation	Business Address
W. Steve Albrecht	Gunnell Endowed Professor and Wheatley Fellow at Brigham Young University	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
Eric A. Benhamou	Managing Director of Benhamou Global Ventures	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
H. Raymond Bingham	Executive Chairman of Cypress Semiconductor Corporation	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
Hassane El-Khoury	President and Chief Executive Officer of Cypress Semiconductor Corporation	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
Oh Chul Kwon	Former Chief Executive Officer of SK Hynix Semiconductor	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
Wilbert van den Hoek	Former Chief Technology Officer of Novellus Systems, Inc.	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134
Michael S. Wishart	Former Managing Director of Goldman Sachs & Co.	c/o Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134

Officers and Employees
The principal occupations of our executive officers and employees who are "participants" in our solicitation of proxies are set forth below. The principal occupation refers to such person's position with our Company, and the business address for each person is Cypress Semiconductor Corporation, 198 Champion Court, San Jose, CA 95134.

Name	Position
Hassane El-Khoury	President, Chief Executive Officer and Director
H. Raymond Bingham	Executive Chairman
Dana C. Nazarian	Executive Vice President of Operations & Technology
Joseph Rauschmayer	Executive Vice President of Manufacturing
Thad Trent	Chief Financial Officer and Executive Vice President of Finance & Administration

Information Regarding Ownership of the Company's Securities by Participants

The shares of our common stock beneficially owned or held as of April 10, 2017 by the persons listed above under "Directors and Nominees" and "Officers and Employees," are set forth in the section titled "Security Ownership of Certain Beneficial Owners and Management" of this Proxy Statement.

Except as described in this Proxy Statement, shares of the Company's common stock owned of record by each participant are also beneficially owned by such participant.

Information Regarding Transactions in the Company's Securities by Participants

The following table sets forth all transactions that may be deemed purchases and sales of shares of the Company's common stock by the individuals who are "participants" between January 1, 2015 and April 10, 2017. Unless otherwise indicated, all transactions were in the public market or pursuant to the Company's equity compensation plans and none of the purchase price or market value of those shares is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

Name	Date	Amount	Transaction
Albrecht, W. Steve	5/14/2015	18,421	(7)
	5/15/2015	15,302	(1)
	11/4/2015	9,614	(2)
	11/4/2015	(50,000)	(8)
	11/4/2015	(9,614)	(8)
	5/5/2016	15,302	(7)
	5/6/2016	21,459	(1)
Benhamou, Eric A.	2/5/2015	82,404	(2)
	2/5/2015	(16,826)	(10)
	5/14/2015	18,421	(7)
	5/15/2015	15,302	(1)
	2/29/2016	82,404	(2)
	2/29/2016	(82,404)	(8)
	5/5/2016	15,302	(7)
	5/6/2016	21,459	(1)
	9/19/2016	(50,000)	(9)
	12/19/2016	(50,000)	(9)
	3/20/2017	(50,000)	(9)
Bingham, H. Raymond	3/12/2015	11,160	(1)
	3/12/2015	1,956	(1)
	3/12/2015	94,061	(4)
	3/12/2015	27,845	(4)
	3/12/2015	4,095	(4)
	3/12/2015	33,783	(4)
	3/12/2015	53,452	(4)
	3/12/2015	7,665	(4)
	3/12/2015	73,710	(4)
	3/12/2015	184,275	(4)
	3/12/2015	122,850	(4)
	3/12/2015	56,511	(4)
	3/18/2015	(49,497)	(10)
	3/18/2015	98,995	(5)
	5/1/2015	20,000	(2)
	5/1/2015	(20,000)	(8)
	5/4/2015	(25,000)	(8)
	5/14/2015	1,956	(7)
	5/15/2015	15,302	(1)
	11/6/2015	(25,000)	(8)
	11/9/2015	53,710	(2)
	11/9/2015	(53,710)	(8)
	11/9/2015	(1,956)	(8)

Proxy Statement

Name	Date	Amount	Transaction
	3/12/2016	3,720	(7)
	3/14/2016	(1,860)	(9)
	5/2/2016	45,000	(3)
	5/2/2016	(45,000)	(9)
	5/3/2016	11,511	(3)
	5/3/2016	(11,511)	(9)
	5/3/2016	3,489	(3)
	5/3/2016	(3,489)	(9)
	5/5/2016	15,302	(7)
	5/5/2016	(7,651)	(10)
	5/6/2016	21,459	(1)
	6/1/2016	15,000	(3)
	6/1/2016	(15,000)	(9)
	6/17/2016	(20,000)	(8)
	7/1/2016	15,000	(3)
	7/1/2016	(15,000)	(9)
	8/1/2016	15,000	(3)
	8/1/2016	(15,000)	(9)
	8/10/2016	132,508	(1)
	9/1/2016	15,000	(3)
	9/1/2016	(15,000)	(9)
	10/3/2016	15,000	(3)
	10/3/2016	(15,000)	(9)
	11/1/2016	15,000	(3)
	11/1/2016	(15,000)	(9)
	11/3/2016	11,080	(1)
	11/10/2016	11,042	(7)
	12/1/2016	15,000	(3)
	12/1/2016	(15,000)	(9)
	1/3/2017	14,361	(3)
	1/3/2017	(14,361)	(9)
	1/31/2017	11,080	(7)
	2/10/2017	11,042	(7)
	3/12/2017	3,720	(7)
	3/16/2017	232,558	(1)
El-Khoury, Hassane	1/9/2015	807	(7)
	1/9/2015	(358)	(10)
	1/21/2015	41,416	(6)
	1/21/2015	30,000	(6)
	1/22/2015	(15,795)	(10)
	1/22/2015	(11,259)	(10)
	3/3/2015	90,000	(1)
	6/15/2015	3,108	(7)
	6/16/2015	(1,634)	(10)
	10/31/2015	667	(7)
	11/2/2015	(349)	(10)
	11/14/2015	467	(7)
	11/16/2015	(244)	(10)
	1/9/2016	807	(7)
	1/11/2016	(354)	(10)
	2/3/2016	10,000	(7)
	2/3/2016	(4,378)	(10)
	2/3/2016	30,000	(7)
	2/3/2016	(11,311)	(10)
	2/18/2016	108,000	(6)

Name	Date	Amount	Transaction
	3/17/2016	(30,000)	(8)
	5/5/2016	20,000	(1)
	8/10/2016	220,848	(1)
	11/3/2016	21,494	(1)
	11/10/2016	18,404	(7)
	11/10/2016	(9,745)	(10)
	11/14/2016	467	(7)
	11/15/2016	(249)	(10)
	12/31/2016	20,000	(7)
	1/3/2017	(10,340)	(10)
	1/9/2017	807	(7)
	1/10/2017	(357)	(10)
	1/27/2017	30,000	(7)
	1/30/2017	(11,805)	(10)
	1/31/2017	21,494	(7)
	2/1/2017	(8,470)	(10)
	2/10/2017	18,404	(7)
	2/13/2017	(6,876)	(10)
	2/28/2017	61,920	(6)
	2/28/2017	25,850	(6)
	3/1/2017	(45,775)	(10)
	3/16/2017	158,577	(1)
Kwon, Oh Chul	3/12/2015	11,160	(1)
	3/12/2015	1,956	(1)
	3/12/2015	24,877	(4)
	3/12/2015	4,972	(4)
	3/16/2015	24,877	(5)
	5/14/2015	1,956	(7)
	5/15/2015	15,302	(1)
	3/12/2016	3,720	(7)
	3/15/2016	(1,164)	(10)
	5/5/2016	15,302	(7)
	5/5/2016	(4,624)	(10)
	5/6/2016	21,459	(1)
	3/12/2017	3,720	(7)
	3/14/2017	(1,094)	(8)
Nazarian, Dana C.	1/21/2015	30,000	(6)
	1/21/2015	41,416	(6)
	1/21/2015	(15,769)	(10)
	1/21/2015	(11,258)	(10)
	3/3/2015	90,000	(1)
	2/3/2016	10,000	(7)
	2/3/2016	30,000	(7)
	2/18/2016	108,000	(6)
	5/5/2016	20,000	(1)
	8/12/2016	3,794	(2)
	8/12/2016	27,383	(2)
	8/12/2016	(10,713)	(10)
	11/3/2016	7,586	(1)
	12/31/2016	20,000	(7)
	1/3/2017	(10,340)	(10)
	1/27/2017	30,000	(7)
	1/30/2017	(12,117)	(10)
	1/31/2017	7,586	(7)
	2/1/2017	(3,274)	(10)

Name	Date	Amount	Transaction
	2/28/2017	61,920	(6)
	2/28/2017	25,850	(6)
	3/1/2017	(45,838)	(10)
	3/16/2017	47,052	(1)
Rauschmayer, Joseph T.	3/12/2015	1,383	(4)
	3/12/2015	112,613	(5)
	3/12/2015	(62,000)	(10)
	3/12/2015	70,000	(4)
	5/1/2015	2,764	(7)
	5/4/2015	(1,463)	(10)
	5/7/2015	60,000	(1)
	8/3/2015	2,764	(7)
	8/4/2015	(1,480)	(10)
	11/2/2015	2,764	(7)
	11/3/2015	(1,459)	(10)
	2/1/2016	2,764	(7)
	2/2/2016	(1,197)	(10)
	2/18/2016	18,202	(6)
	2/19/2016	(7,491)	(10)
	3/12/2016	70,000	(7)
	3/13/2016	(27,993)	(10)
	4/1/2016	33,000	(1)
	4/30/2016	2,764	(7)
	5/2/2016	(994)	(10)
	5/5/2016	20,000	(1)
	8/1/2016	2,764	(7)
	8/2/2016	(1,484)	(10)
	11/3/2016	9,613	(1)
	12/31/2016	20,000	(7)
	1/3/2017	(10,589)	(10)
	1/27/2017	30,000	(6)
	1/30/2017	(12,068)	(10)
	1/30/2017	9,100	(6)
	1/31/2017	(4,043)	(10)
	1/31/2017	9,613	(7)
	2/1/2017	(4,223)	(10)
	2/28/2017	87,770	(6)
	3/1/2017	(46,451)	(10)
	3/16/2017	36,592	(1)
Trent, Thad	1/20/2015	8,000	(7)
	1/20/2015	(3,461)	(10)
	1/21/2015	8,283	(6)
	1/21/2015	6,000	(6)
	1/21/2015	(3,507)	(10)
	1/21/2015	(2,184)	(10)
	3/3/2015	60,000	(1)
	5/7/2015	30,000	(1)
	5/11/2015	1,333	(7)
	5/12/2015	(509)	(10)
	10/31/2015	2,267	(7)
	11/2/2015	(852)	(10)
	11/14/2015	1,733	(7)
	11/16/2015	(652)	(10)
	11/19/2015	1,066	(7)
	11/19/2015	(401)	(10)

Name	Date	Amount	Transaction
	2/3/2016	2,000	(7)
	2/3/2016	(866)	(10)
	2/3/2016	20,000	(7)
	2/3/2016	(8,033)	(10)
	2/3/2016	10,000	(7)
	2/3/2016	(3,745)	(10)
	2/18/2016	108,000	(6)
	5/5/2016	20,000	(1)
	5/9/2016	1,333	(7)
	5/9/2016	(706)	(10)
	6/1/2016	20,000	(7)
	6/1/2016	(10,508)	(10)
	10/10/2016	15,450	(3)
	10/10/2016	(11,390)	(10)
	11/3/2016	9,484	(1)
	11/14/2016	1,734	(7)
	11/15/2016	(918)	(10)
	11/19/2016	1,067	(7)
	11/22/2016	(552)	(10)
	12/31/2016	20,000	(7)
	1/3/2017	(10,340)	(10)
	1/27/2017	20,000	(7)
	1/27/2017	10,000	(7)
	1/30/2017	(8,131)	(10)
	1/30/2017	(3,875)	(10)
	1/31/2017	9,484	(7)
	2/1/2017	(4,020)	(10)
	2/28/2017	41,280	(6)
	2/28/2017	20,640	(6)
	2/28/2017	21,150	(6)
	3/1/2017	(43,349)	(10)
	3/16/2017	57,507	(1)
van den Hoek, Wilbert G. M.	5/14/2015	18,421	(7)
	5/15/2015	15,302	(1)
	5/5/2016	15,302	(7)
	5/6/2016	21,459	(1)
Wishart, Michael S.	3/12/2015	18,901	(4)
	3/12/2015	34,398	(4)
	3/12/2015	28,665	(4)
	3/12/2015	22,909	(4)
	3/12/2015	11,160	(1)
	3/12/2015	1,956	(1)
	3/18/2015	51,574	(5)
	3/18/2015	(9,495)	(10)
	3/18/2015	(11,881)	(10)
	5/14/2015	1,956	(7)
	5/15/2015	15,302	(1)
	3/12/2016	3,720	(7)
	5/5/2016	15,302	(7)
	5/6/2016	21,459	(1)
	3/12/2017	3,720	(7)

(1) Acquisition - Grant of restricted stock units or similar awards

(2) Acquisition - Option exercise

(3) Acquisition - Option exercise pursuant to Rule 10b5-1 trading plan

(4) Acquisition - Securities exchanged in connection with Cypress/Spansion merger

(5) Acquisition - Settlement of securities exchanged in connection with Cypress/Spansion merger

(6) Acquisition - Shares acquired upon vesting related to achievement of performance milestones under performance based restricted stock

(7) Acquisition - Vesting of restricted stock units or similar awards

(8) Disposition - Open market sale

(9) Disposition - Sale pursuant to a Rule 10b5-1 trading plan

(10) Disposition - Shares sold to pay exercise price and/or tax applicable to vesting/ settlement of equity awards

Miscellaneous Information Regarding Participants

Except as described in this Appendix A or the Proxy Statement, none of the participants (i) beneficially owns (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, any shares or other securities of the Company or any of our subsidiaries, (ii) has purchased or sold any of such securities within the past two years or (iii) is, or within the past year was, a party to any contract, arrangement or understanding with any person with respect to any such securities. Except as disclosed in this Appendix A or the Proxy Statement, none of the participants' associates beneficially owns, directly or indirectly, any of our securities. Other than as disclosed in this Appendix A or the Proxy Statement, neither we nor any of the participants has any substantial interests, direct or indirect, by security holding or otherwise, in any matter to be acted upon at the Annual Meeting or is or has been within the past year a party to any contract, arrangement or understanding with any person with respect to any of our securities, including, but not limited to, joint ventures, loan or option agreements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits or the giving or withholding of proxies. Other than as disclosed in this Proxy Statement, none of the participants or any of their associates has any direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Other than as set forth in this Appendix A or the Proxy Statement, none of us, any of the participants or any of their associates has any arrangements or understandings with any person with respect to any future employment by us or our affiliates or with respect to any future transactions to which we or any of our affiliates will or may be a party.

(This page has been left blank intentionally.)

APPENDIX B

CYPRESS SEMICONDUCTOR CORPORATION

2013 STOCK PLAN

(Amended and Restated as of _______2017)

1. PURPOSES OF THE PLAN. THE PURPOSES OF THIS STOCK PLAN ARE:
   - to promote the long-term success of the Company's business;
   - to attract and retain the best available personnel for positions of substantial responsibility; and
   - to provide long-term incentive to Employees, Consultants and Outside Directors that is aligned with the long-term interest of the Company's stockholders.

2. COMPONENTS OF THE PLAN. THE PLAN PROVIDES FOR:
   - the discretionary granting of Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units to Employees, Consultants and Outside Directors, which Options may be either Incentive Stock Options (for Employees only) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant; and
   - the grant of Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units to Outside Directors pursuant to an automatic, non-discretionary formula.

3. SHARES SUBJECT TO THE PLAN. Subject to any adjustments contemplated under Section 16 of the Plan, the maximum aggregated number of Shares authorized for issuance under the Plan is 203,635,220. The Shares may be authorized, but unissued, or reacquired Common Stock. Any Shares subject to Options or Stock Appreciation Rights shall be counted against the numerical limits of this Section 3 as one Share for every Share subject thereto. Any Shares of Restricted Stock or Restricted Stock Units with a per Share or unit purchase price lower than 100% of Fair Market Value on the date of grant shall be counted against the numerical limits of this Section 3 as 1.88 Shares for every one Share subject thereto. To the extent that a Share that was subject to an Award that counted as 1.88 Shares against the Plan reserve pursuant to the preceding sentence is recycled back into the Plan under the next paragraph of this Section 3, the Plan shall be credited with 1.88 Shares.

Subject to Section 16 of the Plan, if any Shares that have been subject to an Option or SAR (whether granted under this Plan or the Terminated Plans) cease to be subject to such Option or SAR (other than through exercise of the Option or SAR), or if any Option or SAR granted hereunder or thereunder is forfeited, or any Option or SAR otherwise terminates prior to the issuance of Common Stock to the Participant, the Shares that were subject to such Option or SAR shall again be available for distribution in connection with future awards under the Plan (unless the Plan has terminated).

Shares that have actually been issued under the Plan upon exercise of an Option shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan. With respect to SARs, when an SAR is exercised, the full number of shares subject to the SAR or portion thereof being exercised shall be counted against the numerical limits of this Section 3 above as one Share for every Share subject thereto, regardless of the number of Shares used to settle the SAR upon exercise. For example, if an SAR covering 100 shares is exercised by a Participant and the Participant receives 80 Shares (with 20 Shares withheld to cover the SAR exercise price), the Plan Share reserve shall be debited the full 100 Shares and such Shares will not be available for future distribution under the Plan. Similarly, if Shares are withheld to satisfy the minimum statutory withholding obligations arising in connection with the vesting, exercise or issuance of any Award (or delivery of the related Shares), such withheld Shares will not be available for future issuance under the Plan.

Shares of Restricted Stock (including Restricted Stock Units) that do not vest and thus are forfeited back to or repurchased by the Company shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares of Restricted Stock or Restricted Stock Units that vest shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan.

Notwithstanding the foregoing and, subject to adjustment as provided in Section 16 of the Plan, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate Share number stated in the first paragraph of Section 3, plus, to the extent allowable under Section 422 of the Code and the Treasury

Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to the second and third paragraphs of this Section 3.

4. ADMINISTRATION OF THE PLAN.

4.1 Procedure.

4.1.1 Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to different groups of Employees, Consultants and Directors.

4.1.2 Section 162(m). To the extent that the Administrator determines it to be desirable to grant Awards hereunder that are intended to constitute qualified "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

4.1.3 Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

4.1.4 Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which Committee shall be constituted to satisfy Applicable Laws.

4.1.5 Administration With Respect to Automatic Grants to Outside Directors. Automatic grants to Outside Directors shall be pursuant to a non-discretionary formula as set forth in Section 10 hereof and therefore shall not be subject to any discretionary administration.

4.2 Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

4.2.1 to determine the Fair Market Value of the Common Stock, in accordance with subsection 24.17 of the Plan;

4.2.2 to select the Consultants, Employees and Outside Directors to whom Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units may be granted hereunder;

4.2.3 to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units are granted hereunder;

4.2.4 to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

4.2.5 to approve forms of agreement, including electronic forms, for use under the Plan;

4.2.6 to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or SARs may be exercised and when Restricted Stock or Restricted Stock Units vest or are issued (which may, in either case, be based on performance criteria), any vesting acceleration or waiver of forfeiture or repurchase restrictions, any deferral features for Restricted Stock or Restricted Stock Units, including those with performance-based vesting criteria, and any restriction or limitation regarding any Award or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

4.2.7 to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

4.2.8 to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

4.2.9 to modify or amend each Award (subject to Section 19 of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options or SARs longer than is otherwise provided for in the Plan (but not longer than the original Option or SAR term);

4.2.10 to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or SAR or the vesting or issuance of Restricted Stock or Restricted Stock Units that number of Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

4.2.11 to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

4.2.12 to determine the terms and restrictions applicable to Awards; and

4.2.13 to make all other determinations deemed necessary or advisable for administering the Plan.

4.3 Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants and any other holders of Awards.

5. ELIGIBILITY.

5.1 Discretionary Awards. Nonstatutory Stock Options, SARs, Restricted Stock and Restricted Stock Unit Awards may be granted to Employees, Consultants and Outside Directors. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee, Consultant or Outside Director who has been granted an Award may be granted additional Awards.

5.2 Outside Director Awards. Outside Directors shall also receive automatically granted Awards pursuant to Section 10 hereof.

6. LIMITATIONS.

6.1 Each Option shall be designated in the Notice of Grant or Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value:

6.1.1 of Shares subject to a Participant's incentive stock options granted by the Company, any Parent or Subsidiary, which

6.1.2 become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6.1.2, incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

6.2 Neither the Plan nor any Award shall confer upon any Participant any right with respect to continuing the Participant's employment or consulting relationship or tenure as a director with the Company, nor shall they interfere in any way with the Participant's, the Company's, or the Company's stockholders', right to terminate such employment or consulting relationship or tenure as a Director with the Company at any time, with or without cause.

6.3 The following limitations shall apply to grants of Options and SARs to Employees:

6.3.1 No Employee shall be granted, in any fiscal year of the Company, Options and SARs to purchase, in the aggregate, more than 3,000,000 Shares.

6.3.2 The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization as described in subsection 16.1 and any spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary as described in subsection 16.4.

6.3.3 If an Option or SAR is cancelled (other than in connection with a transaction described in Section 16), the cancelled Option or SAR will be counted against the limit set forth in subsection 6.3.1. For this purpose, if the exercise price of an Option or SAR is reduced (which would require prior stockholder approval pursuant to Section 23 hereof), the transaction will be treated as a cancellation of the Option or SAR and the grant of a new Option or SAR.

7. TERM OF PLAN. The plan was amended and restated in 2017. It shall continue in effect until April 14, 2027, unless terminated earlier under Section 18 of the plan.

8. TERM OF OPTION OR SAR. The term of each option or SAR shall be eight (8) years from the date of grant or such shorter term as may be provided in the notice of grant, option or SAR agreement. In the case of an incentive stock option granted to a participant who, at the time the incentive stock option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the company or any parent or subsidiary, the term of the incentive stock option shall be five (5) years from the date of grant or such shorter term as may be provided in the notice of grant or option agreement.

9. OPTION AND SAR EXERCISE PRICE; OPTION CONSIDERATION.

9.1 Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option or SAR shall be determined by the Administrator, subject to the following:

9.1.1 In the case of an Incentive Stock Option

9.1.1.1 granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

9.1.1.2 granted to any Employee other than an Employee described in paragraph (9.1.1.1) immediately above, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

9.1.2 In the case of a Nonstatutory Stock Option or an SAR, the per Share exercise price shall be no less than one hundred percent (100%) of Fair Market Value per Share on the date of grant.

9.2 Vesting Period and Exercise Dates. At the time an Option or SAR is granted, the Administrator shall fix the period within which the Option or SAR may be exercised and shall determine any conditions which must be satisfied before the Option or SAR may be exercised. In so doing, the Administrator may specify that an Option or SAR may not be exercised until the completion of a service period or until certain performance milestones are achieved.

9.3 Form of Option Consideration. Except with respect to automatic stock option grants to Outside Directors, the Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. The form of consideration shall be set forth in the Notice of Grant or Option Agreement and may, as determined by the Administrator (and to the extent consistent with Applicable Laws), consist entirely of:

9.3.1 cash;

9.3.2 check;

9.3.3 promissory note;

9.3.4 other previously-owned Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

9.3.5 delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

9.3.6 any combination of the foregoing methods of payment; or

9.3.7 such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. GRANTS TO OUTSIDE DIRECTORS.

10.1 Procedure for Grants. Each Outside Director shall be granted an Award on the date of his or her initial election or appointment to the Board and annually thereafter on the date of the annual stockholder meeting (so long as the Outside Director is elected at the annual stockholder meeting and has been serving as such for at least three months prior to the annual meeting date), in an amount determined by the Administrator in its sole discretion. Such Awards shall vest and be payable and subject to such other terms and conditions as may be determined by the Administrator.

10.2 Outside Director Award Limitations. No Outside Director may be granted, in any fiscal year of the Company, Awards, with a grant date fair value (determined in accordance with either GAAP or IASB principles) of more than $500,000, increased to $750,000 in connection with his or her initial service.

10.3 Consideration for Exercising Outside Director Stock Options. The consideration to be paid for the Shares to be issued upon exercise of an Outside Director Option (granted on or prior to May 22, 2009) shall consist entirely of cash, check, other Shares of previously owned Common Stock which have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, and, for Options granted on or after the 2004 Company annual stockholder meeting, to the extent permitted by Applicable Laws, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or any combination of such methods of payment.

10.4 Post-Directorship Exercisability.

10.4.1 Termination of Status as a Director. If an Outside Director ceases to serve as a Director, he or she may, but only within ninety (90) days, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, after the date he or she ceases to be a Director of the Company, exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise an Option at the date of such termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

10.4.2 Disability of Director. Notwithstanding the provisions of subsection 10.4.1 above, in the event a Director is unable to continue his or her service as a Director with the Company as a result of his or her Disability, he or she may, but only within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, from the date of termination, exercise his or her Option to the extent he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

10.4.3 Death of Director. In the event of the death of a Director:

10.4.3.1 during the term of the Option who is at the time of his death a Director of the Company and who shall have been in Continuous Status as a Director since the date of grant of the Option, the Option may be exercised, at any time within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, following the date of death, by the Director’s estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Director continued living and remained in Continuous Status as a Director for twelve (12) months after the date of death; or

10.4.3.2 within thirty (30) days after the termination of Continuous Status as a Director, the Option may be exercised, at any time within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

11. EXERCISE OF OPTION OR SAR.

11.1 Procedure for Exercise; Rights as a Stockholder. Any Option or SAR granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option or SAR Agreement. An Option or SAR may not be exercised for a fraction of a Share.

An Option or SAR shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) for Options only, full payment for the Shares with respect to which the Option is exercised. Full payment for Options may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option or SAR shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the valid and appropriate entry on: the books of the Company or of a duly authorized transfer agent of the Company or in a Participant's account on the electronic platform maintained to administer the Plan), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option or SAR. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option or SAR is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 16 of the Plan.

Exercising an Option or SAR in any manner shall decrease the number of Shares thereafter available for sale under the Option or SAR by the number of Shares as to which the Option or SAR is exercised.

11.2 Termination of Service. Upon termination of a Participant's Continuous Status as an Employee, Consultant or Director, other than upon the Participant's death or Disability, the Participant may exercise the Option or SAR, but only within such period of time as is specified in the Notice of Grant, Option or SAR Agreement, and, unless otherwise determined by the Administrator, only to the extent that the Participant was entitled to exercise it at the date of termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Notice of Grant or Option Agreement). In the absence of a specified time in the Notice of Grant, Option or SAR Agreement, the Option or SAR shall remain exercisable for thirty (30) days following the Participant's termination of Continuous Status as an Employee, Consultant or Director. If, at the date of termination, the Participant is not entitled to exercise the entire Option or SAR, the Shares covered by the unexercisable portion of the Option or SAR shall revert to the Plan. If, after termination, the Participant does not exercise the Option or SAR within the time specified by the Administrator, the Option or SAR shall terminate, and the Shares covered by such Option or SAR shall revert to the Plan.

11.3 Disability of Participant. In the event that a Participant's Continuous Status as an Employee, Consultant or Director terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR at any time within six (6) months or such other period of time not exceeding twelve (12) months, as is specified in the Notice of Grant, Option or SAR Agreement, except in the case of stock option grants to Outside Directors, which shall be exercised as specified in Section 10. Unless otherwise determined by the Administrator, any such Options or SARs may only be exercised to the extent that the Participant was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Notice of Grant, Option or SAR Agreement). If, at the date of termination, the Participant is not entitled to exercise his or her entire Option or SAR, the Shares covered by the unexercisable portion of the Option or SAR shall revert to the Plan. If, after termination, the Participant does not exercise his or her Option or SAR within the time specified herein, the Option or SAR shall terminate, and the Shares covered by such Option or SAR shall revert to the Plan.

11.4 Death of Participant. In the event of the death of a Participant (other than an Outside Director with respect to his or her stock option grant):

11.4.1 during the term of the Option or SAR who is at the time of his or her death an Employee, Consultant or Director of the Company and who shall have been in Continuous Status as an Employee, Consultant or Director since the date of grant of the Option or SAR, the Option or SAR may be exercised, at any time within six (6) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Participant continued living and remained in Continuous Status as an Employee, Consultant or Director for twelve (12) months after the date of death; or

11.4.2 within thirty (30) days after the termination of Continuous Status as an Employee, Consultant or Director, the Option or SAR may be exercised, at any time within six (6) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

12. STOCK APPRECIATION RIGHTS.

12.1 The SAR shall entitle the Participant, by exercising the SAR, to receive from the Company an amount equal to the excess of (x) the Fair Market Value of the Common Stock covered by exercised portion of the SAR, as of the date of such exercise, over (y) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the date on which the SAR was granted; provided, however, that the Administrator may place limits on the amount that may be paid upon exercise of a SAR.

12.2 SARs shall be exercisable, in whole or in part, at such times as the Administrator shall specify in the Participant's Award Agreement.

12.3 Form of Payment. The Company's obligation arising upon the exercise of a SAR may be paid in Common Stock or in cash, or in any combination of Common Stock and cash, as the Administrator, in its sole discretion, may determine, but only as specified in the Notice of Grant or SAR Agreement. Shares issued upon the exercise of a SAR shall be valued at their Fair Market Value as of the date of exercise.

12.4 Rule 16b-3. SARs granted hereunder shall contain such additional restrictions as may be required to be contained in the Plan or Award Agreement in order for the SAR to qualify for the maximum exemption provided by Rule 16b-3.

13. RESTRICTED STOCK/RESTRICTED STOCK UNITS.

13.1 Grant of Restricted Stock/Restricted Stock Units. Subject to the terms and conditions of the Plan, Restricted Stock or Restricted Stock Units may be granted to Employees, Consultants and Outside Directors at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to a Restricted Stock or Restricted Stock Unit Award granted to any Participant (provided that during any Fiscal Year, no Participant shall receive more than 1,500,000 Shares in the aggregate of Restricted Stock or Restricted Stock Unit Awards) (ii) whether the form of the award shall be Shares or rights to acquire Shares (i.e., Restricted Stock Units), and (iii) the conditions that must be satisfied, which may include or consist entirely of performance-based milestones, upon which is conditioned the grant or vesting of Restricted Stock or Restricted Stock Units. The foregoing limitation in subsection 13.1(i) shall be adjusted proportionately in connection with any change in the Company's capitalization as described in subsection 16.1 and any spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary as described in subsection 16.4. For Restricted Stock Units, each such unit shall be the equivalent of one Share of Common Stock for purposes of determining the number of Shares subject to an Award. Until the stock certificate evidencing such Shares is issued (as evidenced by the valid and appropriate entry on: the books of the Company or of a duly authorized transfer agent of the Company or in a Participant's account on the electronic platform maintained to administer the Plan), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Restricted Stock or Restricted Stock Unit, notwithstanding its vesting. Except with respect to Restricted Stock or Restricted Stock Units with a deferral feature and where delivery has been deferred to a time after the vesting date, as permitted by the Administrator in its sole discretion, the Company shall issue (or cause to be issued) such stock certificate promptly after the Restricted Stock or Restricted Stock Unit vests. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 16 of the Plan and except that Restricted Stock and Restricted Stock Units that have already vested but have not yet been delivered due to the Participant's election to defer their delivery shall be credited with all dividends and other distributions relating to shares of Stock, which shall be delivered to such Participants simultaneously with the delivery of their deferred shares of Stock.

13.2 Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of Restricted Stock and Restricted Stock Unit Awards granted under the Plan. Restricted Stock and Restricted Stock Unit Awards shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time of grant, which may include such performance-based milestones as are determined appropriate by the Administrator, which may be Performance Goals, or for Restricted Stock or Restricted Stock Unit Awards not intended to qualify as "performance-based compensation" under Code Section 162(m), may be other performance-based milestones. The Administrator may require the recipient to sign a Restricted Stock or Restricted Stock Unit Agreement as a condition of the Award. Any certificates representing the shares of Common Stock awarded shall bear such legends as shall be determined by the Administrator.

13.3 Restricted Stock or Restricted Stock Unit Award Agreement. Each Restricted Stock or Restricted Stock Unit grant shall be evidenced by an Award agreement that shall specify the purchase price (if any) and such other terms and conditions as the Administrator, in its sole discretion, shall determine; provided; however, that if the Restricted Stock or Restricted Stock Unit Award has a purchase price, such purchase price must be paid no later than the earlier of (i) eight (8) years following the date of grant, or (ii) the vesting date.

13.4 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock or Restricted Stock Units as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Restricted Stock or Restricted Stock Units to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Restricted Stock or Restricted Stock Units which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock or Restricted Stock Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

13.5 Restricted Stock/Restricted Stock Unit Deferrals. The Administrator, in its sole discretion, may permit Participants to defer the settlement of Restricted Stock or Restricted Stock Units in accordance with Code Section 409A and with rules and procedures established by the Administrator. Any deferred Restricted Stock or Restricted Stock Units shall remain subject to the claims of the Company's general creditors until distributed to the Participant.

14. LEAVES OF ABSENCE. Unless the administrator provides otherwise, and subject to applicable laws, vesting of awards granted hereunder shall cease during any unpaid leave of absence. Moreover, unless the administrator provides otherwise, any employee who transfers his or her employment to a subsidiary and receives an equity incentive covering such subsidiary's equity securities in connection with such transfer, shall cease vesting in awards granted under this plan until such time, if any, as such employee transfers from the employ of such subsidiary or another subsidiary directly back to the employ of the company.

15. TRANSFERABILITY OF AWARDS. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the participant, only by the participant; provided, however, that the Administrator, in its discretion, may permit the transfer of Awards to living trusts or other estate planning entities as permitted under Form S-8 promulgated under the Securities Act of 1933. If the administrator makes an Award transferable, such Award shall contain such additional terms and conditions as the administrator deems appropriate; provided, however, that in no event may an Award be transferred in exchange for consideration.

16. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR SIMILAR TRANSACTION, DISSOLUTION, MERGER, ASSET SALE OR CHANGE OF CONTROL.

16.1 Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award (including deferred Restricted Stock and Restricted Stock Unit Awards that have not been settled), and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award or forfeiture or repurchase of unvested Restricted Stock or Restricted Stock Units, the price per share, if any, of Common Stock covered by each such outstanding Award, the limit on the number of Shares subject to an Option or SAR that may be granted to an Employee in any fiscal year under subsection 6.3.1, as well as the limit of the number of Shares that may be issued as Restricted Stock or Restricted Stock Unit Awards under subsection 13.1, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option, SAR, Restricted Stock, or Restricted Stock Unit award.

16.2 Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, with respect to discretionary Awards granted under the Plan (but not with respect to Awards granted to Outside Directors) the Board may, in the exercise of its sole discretion in such instances, declare that any such Award shall terminate as of a date fixed by the Board and give each Participant the right to exercise his or her Option or SAR as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable or accelerate the vesting of a Participant's Restricted Stock or Restricted Stock Unit Award.

16.3 Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of all (or substantially all) of the assets of the Company, each outstanding Award shall be assumed or an equivalent Award shall be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. With respect to a discretionary Award granted under the Plan (but not with respect to Options granted to Outside Directors under Section 10), the Administrator may, in the exercise of its sole discretion and in lieu of such assumption or substitution, provide for the Participant to have the right to exercise such Option or SAR as to all of the Optioned Stock, including as to Shares which would not otherwise be exercisable and/or provide for the accelerated vesting of Restricted Stock or Restricted Stock Units. With respect to Options and restricted stock units granted to Outside Directors under Section 10, in the event that the successor corporation does not agree to assume such Options and restricted stock units or to substitute equivalent options or rights, each such outstanding Option and restricted stock unit shall become fully vested and exercisable, including as to Shares and units as to which it would not otherwise be exercisable, unless the Board, in its discretion, determines otherwise.

If the Administrator makes a discretionary Option or SAR fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Participant that the Option or SAR shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the Option or SAR will terminate upon the expiration of such period.

For the purposes of this subsection, the Award shall be considered assumed if, following the merger or sale of assets, the Award confers the right to purchase (or, in the case of Restricted Stock or Restricted Stock Units without a purchase price, receive), for each Share subject to the Award immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or SAR or vesting of the Restricted Stock or Restricted Stock Unit Award, for each Share subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

16.4 Spin-Off or Split-Off. Subject to any required action by the stockholders of the Company, the number and/or type of shares covered by each outstanding Award (including deferred Restricted Stock and Restricted Stock Unit Awards that have not been settled), the number and/or type of shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award or forfeiture or repurchase of unvested Restricted Stock or Restricted Stock Units, the price per share, if any, of Common Stock covered by each such outstanding Award and the limit on the number of Shares subject to an Option or SAR that may be granted to an Employee in any fiscal year under subsection 6.3.1, as well as the limit of the number of Shares that may be issued as Restricted Stock or Restricted Stock Unit Awards under subsection 13.1 shall be appropriately and proportionately adjusted to account for any increase or diminution in value of an Award resulting from a spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary. Any such automatic and non-discretionary adjustment or action shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

17. AWARD GRANT DATE. The date of grant of an award shall be, for all purposes, the date on which the administrator makes the determination granting such Option, SAR, Restricted Stock, or Restricted Stock Unit award, or such other later date as is determined by the administrator. Notice of the determination shall be provided to each participant within a reasonable time after the date of such grant.

18. AMENDMENT AND TERMINATION OF THE PLAN.

18.1 Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

18.2 Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. Shares may not be added to the Plan (other than pursuant to Sections 3, 16.1, or 16.4 hereof) without obtaining stockholder approval.

19. Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company.

20. CONDITIONS UPON ISSUANCE OF SHARES.

20.1 Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or SAR or vesting of a Restricted Stock or Restricted Stock Unit Award unless the exercise of such Option or SAR or vesting of such Restricted Stock or Restricted Stock Unit Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel, as needed, for the Company with respect to such compliance.

20.2 Investment Representations. As a condition to the exercise of an Option or SAR or purchase of Restricted Stock or Restricted Stock Unit, the Company may require the person exercising such Option or SAR or purchasing such Restricted Stock or Restricted Stock Unit to represent and warrant at the time of any such exercise or purchase that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. LIABILITY OF COMPANY.

21.1 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority was not obtained.

21.2 Awards Exceeding Allotted Shares. If the Shares covered by an Award exceed, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Award shall be void with respect to such excess Shares, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with subsection 18.2 of the Plan.

22. RESERVATION OF SHARES; SECTION 409A; NO REPRESENTATIONS OR COVENANTS AS TO TAX QUALIFICATIONS. The Company, during the term of this Plan, will at all times reserve and keep available such number of shares as shall be sufficient to satisfy the requirements of the Plan.

Except as provided in the paragraph below, to the extent that the Administrator determines that any Award is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the effective date of the Plan or any amendment thereto. Notwithstanding any provision of the Plan to the contrary, in the event that following the date an Award is granted the Administrator determines that the Award may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such U.S. Department of Treasury guidance as may be issued after the effective date of the Plan or any amendment thereto), the Administrator may, without consent of the Participant, adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in a reduction to the benefits payable under an Award, in each case, without the consent of the Participant, as applicable, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code if compliance is not practical.

Although the Company may endeavor to (1) qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States (e.g., incentive stock options under Section 422 of the Code or French-qualified stock options) or (2) avoid adverse tax treatment (e.g., under Sections 280G, 409A or 457A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment and any liability to any Participant for failure to maintain favorable or avoid unfavorable tax result. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan. Nothing in this Plan or in an Award Agreement shall provide a basis for any person to take any action against the Company or any Subsidiary based on matters covered by Section 409A of the Code, including the tax treatment of any Awards, and neither the Company nor any Subsidiary will have any liability under any circumstances to Participant or any other party if the Award that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Administrator with respect thereto.

23. UNDERWATER OPTION EXCHANGES. The Administrator may not permit the repricing, including by way of exchange, of any Award, without receiving prior stockholder approval.

24. DEFINITIONS. As used herein, the following definitions shall apply:

24.1 "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

24.2 "Applicable Laws" means the legal requirements relating to the administration of stock option plans under federal and state corporate and securities laws, the Code and any stock exchange on which the Common Stock is listed or quoted.

24.3 "Award" means an award hereunder of an Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit.

24.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the terms and conditions of an Award, including through electronic medium.

24.5 "Board" means the Board of Directors of the Company.

24.6 "Code" means the Internal Revenue Code of 1986, as amended.

24.7 "Committee" means a committee appointed by the Board or its Compensation Committee in accordance with Section 4 of the Plan.

24.8 "Common Stock" means the Common Stock of the Company.

24.9 "Company" means Cypress Semiconductor Corporation, a Delaware corporation.

24.10 "Consultant" means any person other than an Employee, including an advisor or consultant, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services; provided, however, that the term "Consultant" shall not include Outside Directors, unless such Outside Directors are compensated for services to the Company other than through payment of director's fees.

24.11 "Continuous Status as a Director" means that the Director relationship is not interrupted or terminated.

24.12 "Continuous Status as an Employee, Consultant or Director" means that the employment, consulting or Director relationship with the Company or any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee, Consultant or Director shall not be considered interrupted in the case of: (i) any leave of absence approved by the Company, including sick leave, military leave, or any other personal leave; provided, however, that for purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; provided, further, that on the ninety-first (91st) day of any such leave (where reemployment is not guaranteed by contract or statute) the Participant's Incentive Stock Option shall cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor.

24.13 "Director" means a member of the Board.

24.14 "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code.

24.15 "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

24.16 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

24.17 "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

24.17.1 If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, the Fair Market Value of a Share of Common Stock shall be the closing sale price for such stock (or the mean of the closing bid and asked prices, if no sales were reported), as quoted on such exchange (or the exchange with the greatest volume of trading in Common Stock) or system on the date of such determination (or, in the event such date is not a trading day, the trading day immediately prior to the date of such determination), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

24.17.2 If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean of the closing bid and asked prices for such stock on the date of such determination (or, in the event such date is not a trading day, the trading day immediately prior to the date of such determination), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

24.17.3 In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

24.18 "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

24.19 "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

24.20 "Notice of Grant" means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement.

24.21 "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

24.22 "Option" means a stock option granted pursuant to the Plan or the Terminated Plans.

24.23 "Option Agreement" means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

24.24 "Optioned Stock" means the Common Stock subject to an Option or SAR.

24.25 "Outside Director" means a Director who is not an Employee or Consultant.

24.26 "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

24.27 "Participant" means an Employee, Consultant or Outside Director who holds an outstanding award.

24.28 "Performance Goals" means the goal(s) (or combined goal(s)) determined by the Administrator (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Administrator, the performance measures for any performance period will be any one or more of the following objective performance criteria, applied to either the Company as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with United States Generally Accepted Accounting Principles ("GAAP"), in accordance with accounting principles established by the International Accounting Standards Board ("IASB Principles") or which may be adjusted when established to exclude any items otherwise includable under GAAP or under IASB Principles or to include any items otherwise excludable under GAAP or under IASB Principles: (i) cash flow (including operating cash flow or free cash flow), (ii) revenue (on an absolute basis or adjusted for currency effects), (iii) gross margin, (iv) operating expenses or operating expenses as a percentage of revenue, (v) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), (vi) earnings per share, (vii) stock price, (viii) return on equity, (ix) total stockholder return, (x) growth in stockholder value relative to the moving average of the S&P 500 Index, the Philadelphia Semiconductor Sector Index or another index, (xi) return on capital, (xii) return on assets or net assets, (xiii) return on investment, (xiv) economic value added, (xv) operating profit or net operating profit, (xvi) operating margin, (xvii) market share, (xviii) contract awards or backlog, (xix) overhead or other expense reduction, (xx) credit rating, (xxi) objective customer indicators, (xxii) new product invention or innovation, (xxiii) attainment of research and development milestones, (xxiv) improvements in productivity, (xxv) attainment of objective operating goals, and (xxvi) objective employee metrics.

24.29 "Plan" means this 2013 Stock Plan, as amended from time to time.

24.30 "Restricted Stock/Restricted Stock Unit/RSU" means the grant of shares or a right to receive shares of Common Stock granted pursuant to Section 13 of the Plan.

24.31 "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

24.32 "Stock Appreciation Right" or "SAR" means a Stock Appreciation Right granted pursuant to Section 12 of the Plan.

24.33 "Share" means a share of the Common Stock, as adjusted in accordance with Section 16 of the Plan.

24.34 "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)

Cypress Semiconductor Corporation 198 Champion Court, San Jose, CA 95134-1709
(408) 943-2600 www.cypress.com