

**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 December 30, 2018
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
(State or other jurisdiction of
incorporation or organization)

94-2885898
(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 Global Select Market |
| Securities registered pursuant to Section 12(g) of the Act: None | |

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by 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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "larger accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant 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 1, 2018 as reported on the Nasdaq Global Select Market, was approximately \$4.4 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 20, 2019, 363,878,456 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after December 30, 2018 are incorporated by reference in Items 10 - 14 of Part III of this Annual Report on Form 10-K.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this "Annual Report") contains 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. Forward-looking statements are not historical facts and include statements relating to, among other things, the future results, operations, strategies, and prospects of Cypress Semiconductor Corporation and its consolidated subsidiaries ("Cypress," the "Company," "we," or "us"), and can in some cases be identified by our use of words such as "may," "will," "should," "plan," "anticipate," "believe," "expect," "future," "intend," "estimate," "predict," "potential," "continue," and similar expressions. This Annual Report includes, among others, forward-looking statements regarding: our expectations regarding dividends, debt repayments, and stock repurchases; our expectations regarding restructuring plan costs and effects; our expectations regarding active litigation matters; the sufficiency of our cash, cash equivalents, and borrowing arrangements to meet our requirements for the next 12 months; possible recognition of certain unrecognized tax benefits within the next 12 months; and the potential impact of our indemnification obligations. Our forward-looking statements are based on the expectations, beliefs and intentions of, and the information available to, our executive management on the filing date of this Annual Report. Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, we assume no responsibility to update our forward-looking statements.

The forward-looking statements in this Annual Report involve risks and uncertainties. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: potential disruptions in the international trade and investment environment, including deteriorating relationships between the U.S. government and foreign governments; the current and future state of the general economy and its impact on the markets and consumers we serve (including credit conditions); our ability to execute on our Cypress 3.0 strategy and our margin improvement plan; potential volatility in our stock price; risks related to paying down our indebtedness and meeting the covenants set forth in our debt agreements; our efforts to retain and expand our customer base (which may be adversely affected if we were to raise prices) in the intensely competitive and rapidly evolving semiconductor industry; risks related to significant supply and demand volatility in semiconductor markets (including the challenges of forecasting demand, scheduling production, and making timely delivery on customer orders); risks related to our strategy of developing and maintaining a leading portfolio of programmable microcontroller, connectivity and memory products; risks related to our flexible manufacturing strategy (and the challenge of efficiently managing a smaller number of manufacturing facilities while increasing our reliance on third-party manufacturers); our reliance on distributors and resellers; risks related to our "take or pay" agreements with certain vendors; the risk of defects, errors, or security vulnerabilities in our products; risks related to the integrity of our information systems, including the possibility of cyber-attacks, business-activity disruption, and loss or corruption of sensitive data; changes in tax law and policy; risks related to our pending tax examinations; risks related to our tax incentive/holiday arrangements in Malaysia and Thailand; our efforts to remediate any material weakness in our internal control over financial reporting; potential lack of liquidity for certain strategic investments (including the challenge of disposing of businesses, product lines, or assets on favorable terms in a timely manner); risks related to our restructuring activities; the failure or success of the privately-held companies in which we are invested; the challenges of effectively integrating companies and assets that we acquire; the possibility of impairment charges; the challenges of attracting and retaining key personnel; risks related to our reliance on stock-based compensation; possible changes to our dividend policy; risks related to our share repurchase authorization; the uncertain nature of business outlook guidance; risks related to industry consolidation and the challenge of competing effectively against a smaller number of stronger companies; the challenges of adequately protecting our intellectual property rights and risks of intellectual property litigation; the possibilities that activist stockholders could negatively affect our business and that our deferred tax assets could be negatively impacted by changes in our stockholder base; risks associated with international operations; the challenges and costs of complying with environmental, data privacy, health/safety, and other laws; risks related to "conflict minerals" reporting; the possibility of business disruptions due to natural disasters; risks arising from indemnification commitments to our officers and directors; our ability to manage our financial investments and interest rate and exchange rate exposure; and the uncertainty and expense of pending litigation matters. These and other factors are described in more detail in Part I, Item 1A (Risk Factors) of this Annual Report.

PART I

ITEM 1. Business

General

Cypress manufactures and sells advanced embedded system solutions for automotive, industrial, consumer and enterprise end markets. Cypress' microcontrollers, analog ICs, wireless and wired 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.

Cypress was incorporated in California in December 1982 and reincorporated in Delaware in September 1986. 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 2018 ended on December 30, 2018, fiscal 2017 ended on December 31, 2017, and fiscal 2016 ended on January 1, 2017.

Acquisitions & Divestitures

In July 2016, we completed the acquisition of certain assets primarily related to the wireless Internet of Things ("wireless IoT business") of Broadcom Corporation ("Broadcom") pursuant to an Asset Purchase Agreement with Broadcom dated April 28, 2016, for a total purchase consideration of \$550 million.

In March 2017, we completed the sale of our wafer fabrication facility in Minnesota.

In August 2018, we completed the acquisition of an embedded software company focused on the IoT market for cash consideration of \$3 million.

In October 2018, we signed a definitive agreement to transfer our NAND flash business to a joint venture ("JV") with SK hynix system ic Inc ("SKHS"). The transaction is subject to customary closing conditions and regulatory approvals. We presently expect that the transaction will be completed by the end of the first quarter of fiscal 2019. In addition to our NAND flash business, we will contribute \$2.4 million in cash towards the equity of the JV. We will own 40% of the JV's common stock. The NAND business is presently reported as part of the MPD segment. We recognized \$167.3 million, \$168.1 million and \$180.5 million in revenue from the NAND business for the years ended December 30, 2018, December 31, 2017 and January 1, 2017, respectively.

Business Strategy

During fiscal 2016, we launched various long-term strategic corporate transformative initiatives, which we collectively refer to as "Cypress 3.0". Cypress 3.0 objectives are designed to increase our focus on becoming a solution-driven company by capitalizing on our broad product portfolio to extend our penetration into global markets such as the automotive, industrial, consumer, and enterprise markets; increase ease of doing business; improve operating margin; redeploy personnel and resources to target market segments that are expected to grow faster than the semiconductor industry; and streamline our internal processes.

Our revenue and profitability model is based on the following product and market strategies: (a) focus on providing customers with complete solutions, including multiple Cypress products where applicable, and supporting software, (b) growing revenue from our programmable solutions and derivatives, (c) increasing our connectivity revenue through the introduction of new products and (d) maintain profitability in our storage products by leveraging our market position and expanding our portfolio. We monitor our operating expenses closely to improve our operating leverage as driven by various company-wide initiatives.

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

We continuously evaluate our reportable business segments in accordance with the applicable accounting guidance. We currently operate under two reportable business segments: Microcontroller and Connectivity Division ("MCD") and Memory Products Division ("MPD").

| Business Segments | Description |
|---|--|
| Microcontroller and Connectivity Division | MCD focuses on connect and compute solutions for the Internet of Things and automotive solutions that enhance the in-cabin user experience. MCD offerings include robust wireless and wired connectivity solutions that combine with flexible, high-performance microcontroller (MCU) and analog solutions, backed with a focus on superior design software. The portfolio includes Wi-Fi®, Bluetooth® and Bluetooth Low Energy solutions and wireless combo solutions; Traveo™ automotive MCUs, PSoC® programmable MCUs and general-purpose MCUs; CapSense® capacitive-sensing controllers and automotive TrueTouch® touchscreen solutions; a broad line of USB controllers, including solutions for the USB-C and USB Power Delivery standards; and analog PMIC Power Management ICs. This division also includes our intellectual property (IP) business. |
| Memory Products Division | MPD focuses on fail-safe storage and datalogging solutions for mission critical applications. The portfolio includes specialized, high-performance parallel and serial NOR flash memories, NAND flash memories, static random access memories (SRAM), F-RAM™ ferroelectric memory devices, nonvolatile SRAMs (nvSRAM), and other specialty memories. This division also includes our nonvolatile DIMM subsidiary AgigA Tech Inc. |

For additional information on our segments, see [Note 22](#) of the Notes to Consolidated Financial Statements under Part II, 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, Flexible MCUs, PSoC® MCUs, CapSense® capacitive-sensing controllers and Automotive TrueTouch® touchscreen controllers | Automotive, industrial, consumer, computation, white goods, communications | Automotive instrument clusters, body electronics, power management and infotainment systems, factory automation, machine-to-machine systems, building management systems, smart meters, printers, industrial and automotive control applications, digital still and video cameras, smart home appliances, handheld devices and accessories, desktop and notebook PCs and peripherals, medical devices, white goods and many other applications. |
| Wi-Fi®, Bluetooth®, Bluetooth Low Energy and combo solutions | Automotive, industrial, consumer, white goods, home automation | IoT applications, wearables, smart home appliances, home automation, industrial automation equipment, connected cars, appliances, wireless headsets, consumer electronics, gamepads, remote controls, toys, presenter tools and many other applications. |
| EZ-PD™ controllers for USB-C with Power Delivery and USB controllers | Industrial, handset, PC and peripherals, consumer electronics, mobile devices, automotive | Automotive, printers, cameras, machine vision and other industrial equipment, handheld devices, VoIP phones, headsets, presenter tools, dongles, point of sale devices and bar code scanners, PCs and peripherals smartphones, USB-C power adapters, USB-C adapter cables, monitors, docking stations and many other applications. |
| Analog PMICs and energy harvesting solutions | Automotive, industrial, consumer | Instrument cluster systems, Advanced Driver Assistance Systems (ADAS), body control modules, factory automation, IoT beacons, wireless sensor nodes 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 | Automotive advanced driver assistance systems (ADAS), automotive instrument cluster, automotive infotainment systems, security systems, industrial control and automation systems, networking routers and switches and many other applications. |
| NAND Flash | Consumer, Networking, Industrial, Automotive | Set-top-boxes, networking modems, networking equipment, audio systems/smart speakers, automotive infotainment systems, point-of-sale systems, consumer and industrial security camera systems, industrial control and automation systems, smart home appliances, and many other applications. |
| RAM: Asynchronous and Synchronous SRAM, HyperRAM™, F-RAM and nySRAM | Automotive, industrial, networking, medical, telecommunications | Automotive systems, industrial control and factory automation systems, enterprise switches and routers, servers, smart meters, aerospace and defense, medical systems, point-of-sale terminals, gaming, printers, and test equipment. |
| 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, and image processors. |

Manufacturing

Our "flexible manufacturing" strategy combines capacity from external foundries with output from our internal manufacturing facilities which allows us to meet fluctuations in customer demand while limiting capital expenditure requirements and lessening the burden of high fixed costs, a capability that is important with our rapidly evolving product portfolio and revenue growth.

As of the end of fiscal year 2018, we owned a wafer fabrication facility in Austin, Texas. External wafer foundries, mainly in Asia, manufactured approximately 63% of our wafers (8 inch equivalent).

We conduct assembly and test operations at our back-end manufacturing facilities in Cavite, Philippines and Bangkok, Thailand, which contribute to better leverage of manufacturing cost. External assembly and test subcontractors in Asia account for approximately 72% of the total assembly output and 62% of the total test output. Various assembly and test subcontractors in Asia perform the balance of the assembly and test operations.

We have manufacturing services agreements primarily with the following partners:

- Advanced Semiconductor Engineering, Inc. ("ASE") - Agreements for chip scale packing services;
- Amkor J Devices - Agreements for assembly and test services;
- Deca Technologies Inc. - Agreement for chip scale packaging services.
- Fujitsu Semiconductor Limited - Agreements for foundry, sort and assembly and test services;
- HuaHong Grace Semiconductor Manufacturing Corporation ("Grace") - Agreement for foundry services;
- Semiconductor Manufacturing International Corporation ("SMIC") - Agreements for foundry services;
- Skywater Technologies Inc. - Agreement for foundry services;
- Taiwan Semiconductor Manufacture Company ("TSMC") - Agreement for foundry services;
- United Microelectronics Corporation ("UMC") - Agreement for foundry services;

- United Test and Assembly Center Ltd - Agreement for assembly and test services; and
- Wuhan Xinxin Semiconductor Manufacturing Corporation ("XMC") - Agreement for foundry services.

Sales and Marketing

We sell our semiconductor products through several channels: distributors; manufacturing representative firms; and sales by our sales force directly to original equipment manufacturers and their suppliers.

Our marketing activities target customers, reference design houses and our potential partners; and include a variety of direct marketing activities, such as trade shows, events and sponsored activities. 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 25% of our consolidated accounts receivable as of December 30, 2018 and 28% of our consolidated accounts receivable as of December 31, 2017.

Revenue generated through Fujitsu Electronics Inc. and Arrow Electronics, two of our distributors, accounted for 18% and 14%, respectively, of our consolidated revenues for fiscal 2018, and 20% and 13% of our consolidated revenues for fiscal 2017, respectively. Revenue generated through Fujitsu Electronics Inc., one of our distributors, accounted for 23% of our consolidated revenues for fiscal 2016. No other distributor or end-customer accounts for 10% or more of our revenue.

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. Although we have entered into long-term supply agreements with certain customers, products to be delivered and the related delivery schedule under these long-term contracts are frequently revised. Accordingly, 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, 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 and sell 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 greater brand recognition 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, consumer, and enterprise markets. Companies that compete directly with our businesses include, but are not limited to, Adesto, Everspin Technologies, Fujitsu, GigaDevice Semiconductor, GSI Technology, Hynix, Integrated Silicon Solution, Macronix, Marvell, MediaTek, Microchip Technology, Micron Technology, Nordic Semiconductor, NXP Semiconductors NV, Qualcomm, Realtek, Renesas, Richtek, Semtech, Silicon Laboratories, ST Microelectronics, Texas Instruments, Toshiba, VIA Labs, XMC 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 jurisdictions, in addition to the 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 to 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 liabilities 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 2018, we had approximately 3,450 issued patents and approximately 644 additional patent applications on file domestically and internationally. In addition, in fiscal 2019 we are preparing to file up to 40 new patent applications in the United States and up to approximately 50 foreign application predominantly in Europe and Asia. The average remaining life of our domestic patent portfolio is approximately 8.9 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. We believe the strength of our intellectual property program, including the breadth and depth of our portfolio, will be critical to our success, although, our business as a whole is not significantly dependent on any single patent, copyright, or other intellectual property right.

In addition to developing patents based on our own research and development efforts, we license some patents from third parties, and we may purchase or license additional patents from third parties. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other intellectual property, may obtain or already have patents that allegedly or otherwise cover products similar to ours. There is no assurance that we will be able to obtain patents covering our own products or that we will be able to obtain licenses from other companies on favorable terms or at all.

We review our intellectual property portfolio from time to time to identify opportunities to derive additional value from our assets. We may consider selling certain patents that no longer align with our patent strategies as well as employ other monetization models for our patent portfolio. From time to time we have divested patents that were not relevant to our current business. Divestiture of patents may lead to future contingent or non-contingent income.

Employees

As of December 30, 2018, we had 5,846 employees. Geographically, 1,819 employees were located in the United States, 964 in the Philippines, 924 in Thailand, 592 in India, 457 in Japan, 341 in Malaysia, 297 in Greater China,

242 in Europe, and 210 in other countries. Of the total employees, 3,220 employees were associated with manufacturing, 1,481 with research and development, and 1,145 with selling, general and administrative functions.

Executive Officers of the Registrant as of December 30, 2018

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

| Name | Age | Position |
|-------------------|------------|--|
| Hassane El-Khoury | 39 | President, Chief Executive Officer and Director |
| Thad Trent | 51 | Executive Vice President, Finance and Administration, and Chief Financial Officer |
| Sudhir Gopalswamy | 49 | Executive Vice President, Microcontroller and Connectivity Division |
| Sam Geha | 53 | Executive Vice President, Memory Products Division |
| Pamela Tondreau | 59 | Executive Vice President, Chief Legal and Human Resources Officer, and Corporate Secretary |

Hassane El-Khoury has served as the president and chief executive officer of Cypress, and as a member of our Board of Directors, since August 2016. He previously served as 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 Designs, 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.

Thad Trent has served as chief financial officer and executive vice president of finance & administration at the Company since June 2014. Mr. Trent joined Cypress in 2005 and became a vice president of finance in 2010. Prior to serving as chief financial officer, he led the strategic planning functions for the Company's business units and worldwide operations and he managed the financial reporting, accounting, and planning and analysis functions for the Company. Before joining the Company, Mr. Trent held finance leadership roles at publicly traded companies Wind River Systems, a developer of embedded systems software, and Wyle Electronics, a distributor of high-tech electronic components, as well as two technology startups. He currently serves on the boards of directors of AgigA Tech, Inc., which is a majority-owned Cypress subsidiary selling high-performance non-volatile memory, and Deca Technologies Inc., one of our equity investees which is seeking to develop a fan-out wafer level packaging technology. Mr. Trent holds a Bachelor of Science degree in business administration and finance from San Diego State University.

Sudhir Gopalswamy has served as executive vice president of the microcontroller and connectivity division at the Company since February 2018, having previously served as the senior vice president of MCD from September 2016 to February 2018. In his role, Mr. Gopalswamy is responsible for all aspects of the MCD business. Mr. Gopalswamy joined the Company in 2008 and has managed a variety of business units, including the timing solutions business unit from 2009 to 2011, the synchronous SRAM business unit from 2011 to 2014, and the MCU business unit from 2014 to 2016. Prior to joining the Company, Mr. Gopalswamy worked at Conexant Systems, Inc., a fabless semiconductor company, where he was responsible for the cable set-top box product line. Before Conexant, he spent nine years at Intel Corporation, one of the world's leading semiconductor companies, where he held management and leadership roles of increasing responsibility, spanning the computing, communications/networking, and consumer electronics segments. Mr. Gopalswamy holds a Bachelor of Science degree in electrical engineering (BSEE) from Purdue University and a Master of Business Administration degree from Duke University.

Sam Geha, Ph.D., has served as executive vice president of the memory products division at the Company since February 2018, having previously been the senior vice president of MPD from September 2016 to February 2018. Dr. Geha is responsible for all aspects of the MPD business. Previously, he served as the senior vice president of the intellectual property (IP) business unit since June 2015, having managed the IP business unit since June 2013, where he oversaw licensing of the Company's various embedded nonvolatile memory technologies (SONOS and

eCT) to foundries, including UMC, HLMC and HH-Grace, as well as licensing of the Company's 3D NAND technology to XMC. Prior to that, he served as vice president of the technology R&D organization since May 2007. Dr. Geha joined the Company in 1995 and has served as the senior director of technology development for SONOS and the director of technology development for MRAM and SRAM technologies. Prior to joining the Company, he worked in various technology development functions at Motorola, a telecommunications equipment company, and National Semiconductor Corporation, a semiconductor manufacturer. Dr. Geha is currently a board member of one of the Company's equity investees, Enovix, a silicon-based lithium-ion battery start-up. He holds a Bachelor of Science degree in electrical engineering, a Master of Science degree in electrical engineering, and a philosophical doctorate in electrical engineering from the University of Arizona.

Pamela L. Tondreau serves as our executive vice president, chief legal and human resources officer, and corporate secretary. She has overseen all of Cypress's legal matters since joining the Company in October 2014, initially as interim general counsel, then as senior vice president and general counsel starting in January 2015, then as senior vice president and chief legal officer starting in September 2016, and most recently as executive vice president and chief legal officer from February 2018 to the present. In addition, Ms. Tondreau assumed oversight responsibility for the Company's human resources function in November 2017 and has served as our corporate secretary since January 2015. Prior to joining the Company, Ms. Tondreau spent nearly 13 years at Hewlett-Packard Company (now HP Inc.), a multinational information technology company, in various roles, including chief intellectual property counsel and deputy general counsel to the chief technology officer, HP labs, HP networking, IP licensing, strategic initiatives and global alliances. In addition, she supported the chief marketing officer, the chief information officer and the executive vice president of personal systems, as well as serving as corporate secretary to the technology committee of Hewlett-Packard's board of directors. Prior to her time at Hewlett-Packard, Ms. Tondreau was an associate at the law firm of Thelen, Marrin, Johnson & Bridges (now Thelen LLP), serving as both a litigation and corporate attorney. She currently serves on the board of directors of AgigA Tech, Inc. Ms. Tondreau holds a bachelor's degree from U.C. Berkeley and a J.D. degree from McGeorge School of Law.

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, have affected and may in the future adversely affect our business, financial condition, results of operations and cash flows or may contribute to uncertainty of our business.

We have significant customer sales both in the U.S. and internationally. We also rely on 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 and such effects may be material. In addition, the adverse impact of an unfavorable economy on consumers, including high unemployment rates, may adversely impact consumer spending, which would adversely impact demand for many end products in which our products are embedded. Any reduction in our customers' sales of their end-products, and/or any apprehension among our distributors and customers of a possible reduction in such sales, would likely cause an indirect negative impact on our own sales. Even prior to a widespread economic downturn, the related uncertainty and the market's fear of deteriorating conditions might cause our distributors and customers to place fewer orders for our products. Moreover, commodity prices may be more volatile in times of economic turmoil. 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 and the decreased consumer spending that occurs during a recession, global economic turmoil (or uncertainty and apprehension over the possibility of economic turmoil), are likely to have an adverse impact from time to time on our business, financial condition, results of operations and cash flows and such effects may be material.

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 is influenced by various factors, some of which are beyond our control, including, but not limited to:

- Revenue fluctuations due to unexpected shifts in customer demand;
- Announcements about our earnings or the earnings of our competitors that are not in line with analyst expectations;
- Our ability to execute on our long term strategic corporate transformation initiatives, collectively known as our Cypress 3.0 initiatives;
- 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;
- Our ability to generate sufficient cash flow to repay debt and
- Litigation, including any disputes or legal proceedings associated with activist investors.

As a result of these and other factors, the trading price for our common stock has been and will likely continue to be volatile.

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.

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. 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. 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.

The principal amount of our debt outstanding as of December 30, 2018 was \$935.8 million which primarily included:

- \$476.3 million Term Loan B
- \$150 million of our 2% 2023 Exchangeable Notes
- \$287.5 million of our 4.5% 2022 Senior Exchangeable Notes and
- \$12 million of our 2% 2020 Spansion Exchangeable Notes

See [Note 15](#) of the Notes to Consolidated Financial Statements for more information regarding our debt obligations.

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 ability to successfully execute on our long term strategic corporate transformation initiatives, collectively known as our Cypress 3.0 initiatives;
- 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, and our ability to meet the specification requirements of our customers;
- the willingness of our customer base to absorb any increase in the price at which 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 activities including our investments in internal and external development stage startups;
- our ability to get competitive terms with our vendors, manufacturing partners and suppliers;
- general economic conditions;
- the cyclical nature of the semiconductor industry;
- 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.

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;
- industrial systems including factory automation equipment, smart electric meters, aerospace, industrial controls, point-of-sale terminals and test equipment;
- Wireless products including smart home applications, health and fitness, audio, automotive, medical and industrial devices;
- consumer electronics including wearable electronics, smartphones and other mobile devices, gaming consoles, game-pads, 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. Further, pricing in the semiconductor industry is subject to significant volatility. As an example, pricing of memory products during fiscal 2017 was significantly impacted by industry conditions. We may be unable to anticipate or manage price volatility which may adversely impact our margins, market share, financial condition and results of our operations.

We order materials and build our products based primarily on our internal forecasts, and customer and distributor forecasts and secondarily on existing orders, which may be canceled under many circumstances. Because our markets can be volatile, based on consumer demand and subject to rapid technological 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 wireless connectivity products, USB-C, and Traveo™ microcontroller products, 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 additional features on a smaller chip. This makes manufacturing new generations of products substantially more difficult, costly and time consuming 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.

Manufacturing semiconductors is a highly complex and precise process, requiring production in tightly controlled, clean-room environments. 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 products to be rejected and 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 due to our broad product portfolio and also in connection with the transition to new manufacturing methods. We may also experience manufacturing problems in our assembly and test operations (or the assembly and test operations of third-party partners) and in the introduction of new packaging materials. The interruption of wafer fabrication, a reduction in available wafer supply, the failure to achieve acceptable manufacturing yields, or the inability to achieve acceptable levels of quality and security in our products as expected by our customers, including our customers in the automotive industry, 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.

We are dependent on third parties to manufacture products, market 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.

We rely significantly on independent contractors to manufacture our products, which includes wafer fabrication, assembly, packaging and testing.

In March 2017, we divested a wafer fabrication facility (commonly called a fab or foundry) located in Bloomington, Minnesota, which reduced our internal manufacturing capacity though we continue to outsource manufacturing services from this facility. The purchaser operates the fabrication facility as a stand-alone business that

manufactures wafers for Cypress and for other semiconductor companies. Although this transaction reduced our manufacturing footprint, it increased our reliance on third-party suppliers. Accordingly, if the owner of this Bloomington fabrication facility 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.

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. Suppliers may extend lead times, limit supplies or increase prices due to commodity price increases, capacity constraints or other factors, which may lead to supply interruptions which could materially harm our results of operations. In addition, greater demand for wafers produced by any such foundries without an offsetting increase in foundry capacity raises the likelihood of potential shortages and wafer price increases. Our operations would be disrupted if any of our foundry partners terminates its relationship with us, delays its shipments to 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 need to engage alternate sources of supply, such sources may be unavailable on commercially reasonable terms, or at all. Supply chain changes in the semiconductor industry are complicated, time-consuming, and costly and may disrupt longstanding business relationships that are otherwise advantageous. Due to the difficulty of engaging alternate sources of supply, if any of our key manufacturing facility partners experiences financial difficulties, we may accelerate purchases or commit to increase our purchases in order to build up inventories as a precautionary measure; however, this approach might increase our inventory carrying costs and expose us to inventory risks. Even if we are able to engage alternate sources of supply, we may encounter start-up difficulties or yield issues or incur additional costs. Shipments could be delayed significantly while these alternate sources are engaged and qualified for volume production.

While many of our products are assembled, packaged and tested at our manufacturing facilities located in the Philippines and Thailand, 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 and political risk, 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 or other catastrophic events, our ability to timely meet consumer demand would suffer which would materially harm our results of operations.

We also rely on channel partners, including distributors, resellers, and third-party sales representatives. We continue to expand and change our relationships with our channel partners. Worldwide sales through our distributors accounted for approximately 72% of our revenue in fiscal year 2018. We rely on many channel partners 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, or as we choose to terminate some channel partner relationships from time to time, we face the risk of declining demand which could affect our revenue and results of operations. Such decline could be short-term, as we work to build in-house capacity or otherwise replace the affected channel partners, or long-term if the replacements are less efficient at accessing end customers. In addition, some of our channel partners are affiliated with companies from which we source materials or with which we have other business relationships, so any deterioration in our dealings with such a channel partner may disrupt the broader relationship. Our contracts with our distributors may be terminated by either party upon notice. The termination of a significant distributor, reseller, or sales representative 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 a terminated 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 a terminated distributor or reseller. In addition, our distributors are located all over the world and vary in size 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.

Finally, our customers source a variety of materials from various suppliers in addition to Cypress. The failure by third-party suppliers to meet our customers' materials requirements on a timely basis could negatively impact our customers' manufacturing schedules and reduce or delay our customers' demand for our products. For example, in 2018 a shortage of multi-layer ceramic capacitors, or MLCCs (a necessary component on many printed circuit boards), created challenges for manufacturers in multiple end markets. To the extent our customers experience shortages of necessary materials, they may be forced to slow production of their end products, with a corresponding decline in the rate at which they purchase materials from us.

We may not be able to consume minimum commitments under our "take or pay" agreements, which may have a material adverse impact on our earnings.

We have entered into agreements with certain vendors that include "take or pay" terms. Take or pay terms obligate us to purchase a minimum required amount of services or make specified payments in lieu of such purchase. We may not be able to consume minimum commitments under these take or pay terms, requiring payments to vendors, which may have a material adverse impact on our earnings.

Failures in our products (including security vulnerabilities, defects or other errors) as well as harms caused by the devices in which our products are embedded could expose us to significant costs and damage our business.

We are subject to the risks of product defects and products liability. Our products are inherently complex and from time to time defects or errors are detected only after the products are in use. Product defects and errata (deviations from published specifications) may result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or obtain through acquisitions, may also contain defects. The design process interface in new domains of technology and the migration to integrated circuit technologies with smaller geometric feature sizes are complex and add risk to the design and manufacturing process. The use of devices containing our products to access untrusted content can further create a risk of exposing our products to viral or malicious activities. While we continue to focus on security issues and are taking measures to safeguard our products from cybersecurity threats, (including maintaining a rapid response team to investigate and respond to reports of security vulnerabilities) device capabilities continue to evolve, enabling more data and processes and increasing the risk of security failures.

Under our sales terms, we generally warrant our products will conform to published specifications and be free from defects in materials and workmanship for a period of one year, and we limit product warranty remedies to a credit of the original purchase price, repair, or replacement. Although our selling terms generally disclaim such liability, we face a risk that we might be held liable for other remedies, including consequential damages resulting from errors or defects in our products, that exceed our standard warranty remedies.

Further, the utilization of our products (and our customers' devices in which our products are embedded) by end users entails other products liability risks. We could face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to defects or errata. These risks may increase where our products are used in medical devices or other devices or systems relating to human health and safety.

Because our products and services are responsible for critical functions in our customers' products, defects or errata or security flaws in our products or services could have an adverse impact on us, on our customers and/or on the end users of our customers' products. Such adverse impacts could include product liability claims; product recalls; write-offs of our inventories, property, plant and equipment and/or intangible assets; costs of providing product refunds, repairs, or replacements as well as reimbursements of customer costs; unfavorable purchase commitments; a shift of business to our competitors; a decrease in demand for our products; damage to our

reputation and to our customer relationships; costs of litigation defense and and/or damages; fines imposed by regulatory agencies; and other financial liability or harm to our business. The materialization of any of these risks could have an adverse impact on our results of operations and cash flows.

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

Like most technology companies, we are subject to cyber-attacks from time to time. We face a risk that experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential and proprietary information, potentially without being detected. 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 internal networks as well as on remote internet-connected third-party servers (sometimes called the "cloud"). Breaches of our security measures or those of our cloud services providers could create system disruptions or cause shutdowns or result in 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 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, which may have a material impact on our business. 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.

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. In the past, tax administrations globally have considered initiatives which could substantially eliminate utilization or reduce our ability to claim net operating losses and foreign tax credits, and eliminate various tax deductions. 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 income and other taxes in the United States and various foreign jurisdictions. Our tax liabilities are affected by the amounts we charge in intercompany transactions for inventory, services, licenses, funding and other items. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with these intercompany transactions or other matters and may assess additional taxes or adjust taxable income on our tax returns as a result. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance we will accurately predict the outcomes of these audits, and the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, uncertainties related to the interpretation of the Tax Cuts and Jobs Act of 2017 could materially impact our tax obligations and effective tax rate, as well as our business strategy and tax planning.

Our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and

liabilities or changes in tax laws. In addition, various tax legislation has been introduced or is being considered that could significantly impact our tax rate, the carrying value of deferred tax assets, or our deferred tax liabilities. For example, the Organization for Economic Cooperation and Development (the "OECD") has recently recommended changes to numerous long-standing international tax principles. If countries amend their tax laws to adopt certain parts of the OECD guidelines, this may increase tax uncertainty and may adversely impact our tax liabilities. Any of these changes could affect our financial performance.

If the tax incentive or tax holiday arrangements we have negotiated in Malaysia 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 the Company in various jurisdictions to encourage investment or employment. Each 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 within the next five years, 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 could adversely affect our cash flows.

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

From time to time, we have divested certain businesses, product lines or assets, acquired or otherwise, that are no longer strategically important, and exited minority investments, and we may do so in the future, which could materially affect our cash flows and results of operations. If we decide to divest another 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.

One type of divestiture is contribution of the applicable business, product lines, or assets to a joint venture in exchange for an interest in the venture, which exposes us to the risk that the joint venture might decline in value or not meet desired objectives. The success of joint venture investments depends on various factors over which Cypress might have limited or no control and requires ongoing and effective cooperation with strategic partners. Such risks could be exacerbated by unfavorable financial market and macroeconomic conditions and, as a result, the value of any joint venture investment could be negatively impacted and lead to impairment charges.

In October 2018, we signed a definitive agreement to enter into a joint venture arrangement with SK hynix system ic Inc, under which we will contribute our full portfolio of single-level cell NAND flash memories (along with \$2.4 million in cash) to the venture. The transaction is intended to reduce our exposure to a highly commoditized product line that has traditionally been volatile with low gross margins. The joint venture agreement is subject to closing conditions, including applicable regulatory approvals, which are not assured. Although we currently expect the transaction to close in the first quarter of fiscal 2019, we face a risk that it might not close on a timely basis, or at all. If the joint venture fails to close, we will not realize its anticipated benefits, which might have an adverse effect on our results of operations and stock price. Further, when the transaction closes we will transition our customer orders for NAND flash memories to the joint venture. Although we expect to have influence over the joint venture's operations, it will not be under our control, and we might be unaware of, or unable to correct, operating or product issues if they develop. Any failure by the joint venture to satisfy customer expectations could adversely impact our own relationships with customers and/or the reputation of our brand. In addition, we cannot assure you that the joint venture will be profitable. The joint venture's governing documents will not require it to distribute its profits (if any) regularly, or at all (apart from a commitment to distribute to us our share of profit on a specified portion of sales through January 31, 2021). We therefore face a risk that our investment might not generate meaningful cash flows to re-invest, for example, in higher-margin areas of our business.

Our restructuring initiatives might not 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.

Our financial results could be adversely impacted if privately-held companies (that we have invested in) fail to develop and successfully bring to market new and proprietary products.

We have made a financial commitment to certain investments in privately-held companies. 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. During the fourth quarter of fiscal 2018, we determined that our investment in Deca Technologies Inc., which is accounted for as an equity method investment, was other-than temporarily impaired due to significant delays in Deca's commercialization and achievement of scalable production of certain key products, and consequently we recognized an impairment charge of \$41.5 million. Similarly, during the fourth quarter of fiscal 2017, we determined that our investment in another equity investee, Enovix Corporation, was other-than temporarily impaired as Enovix did not achieve certain key planned product development milestones, and consequently we recognized an impairment charge of \$51.2 million. If these or any of our other privately-held companies 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 businesses or if market demand for the products or solutions offered by these businesses do not materialize as anticipated or if these or any of our other privately-held companies are not able to raise capital to fund their operations, 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 privately-held companies.

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

Acquisitions have been an important element of our overall corporate strategy and use of capital. We may from time to time evaluate and enter into discussions regarding a wide array of potential strategic transactions. These transactions could be material to our financial condition and results of operations. The process of integrating an acquired company, business, or technology has created, and may 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.
- To the extent a purchase agreement includes a non-competition and/or non-solicitation commitment by the seller, any breach or expiration of such commitment may expose us to additional competition if the seller decides to re-enter the relevant market or attempts to hire back its employees.

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.

In 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 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 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: deterioration in market or interest rate environments, significant adverse changes in business climate, unanticipated competition, loss of key customers, changes in technology, declines in future cash flows of our reporting units, or material changes in reporting unit carrying values compared with changes in their respective fair values.

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 skilled 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.

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.

There can be no assurance we will continue to declare dividends.

Our Board of Directors previously adopted a policy pursuant to which the Company would pay quarterly cash dividends on our common stock. The declaration and payment of any dividend or distribution 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 dividends or distributions in the future in any particular amounts, or at all. Future dividends or distributions, 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 or distribution; 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 dividend or other distribution payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends or other distributions in any particular amounts or at all. A reduction in our dividend payments or a change in the tax treatment of future dividends could have a negative effect on our stock price.

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.

In October 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 of the 2016 fiscal year, we repurchased a total of 29.5 million shares for a total cost of \$239.2 million under the October 2015 stock repurchase plan. A substantial majority of these purchases were made prior to the start of our second quarter of 2016. In fiscal 2017, we did not repurchase any shares in the open market under the stock repurchase plan. In fiscal 2018, we repurchased 2.4 million shares for a total cost of \$35 million including the Yield Enhancement Program ("YEP"). YEPs are short-term structured agreements, typically with maturities of 90 days or less, correlated to our stock price that can settle either in return of cash or delivery of our shares.

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 analysis and forecasts have in the past and will likely in the future, prove to be incorrect. We offer no assurance that such predictions or analysis will ultimately be accurate, and investors should treat any such predictions or analysis with appropriate caution. If any analysis or forecast that we make ultimately proves to be inaccurate, our stock price may be adversely affected.

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 may be unable to adequately protect our intellectual property rights.

The protection of our intellectual property rights 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 manufacturing 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 have in the past become involved and we may continue to be 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 may also from time to time continue to be involved in litigation relating to alleged infringement by us of others' patents or other intellectual property rights. Patent litigation, if necessary or when instituted against us, could result in substantial costs and divert our management's attention and resources.

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. In August 2016, we entered

into a series of agreements to divest a large number of older, legacy patents and we may in the future divest patents from time to time. The divestiture of 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 become involved in intellectual property litigation from time to time, which can be expensive and divert management attention and resources away from our business, and in which an adverse judgment or settlement may require us to pay substantial damages or prohibit us from using essential technologies.

Intellectual property litigation and threats of litigation are very common in our industry. Other companies or entities 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 (USPTO) 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 and we may in the future divest patents from time to time. The divestiture of 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. Even though we may have meritorious defenses and claims and defend and pursue such claims vigorously, all litigation is subject to inherent uncertainties and may negatively impact our business.

The accumulation of changes in our shares by "5-percent stockholders" have in the past and could again 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.

We are a publicly traded company and our 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 our merger with Spansion Inc. ("Spansion") in March 2015. 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.

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 - these expenses could have a material adverse impact on our financial results;
- the election to our Board of Directors of director candidates who are not supported by the Company, may create unnecessary conflict and instability on our board of directors; 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.

Our settlement agreement with T.J. Rodgers, which resolved the 2017 proxy contest, expires on the date of our 2019 annual meeting of stockholders (or, if earlier, May 31, 2019).

Geopolitical uncertainty, and changes to international trade agreements, tariffs, import and excise duties, taxes, or other governmental rules and regulations could adversely affect our business and results of operations.

A majority of our revenue is generated from customers located outside the U.S. and a substantial portion of our assets and employees are located outside the U.S. Risks associated with international operations, any of which could have a material adverse effect on our business, liquidity, financial condition and/or results of operations, include:

- political instability, and the possibility of a deteriorating relationship between the nations in which we do business and the United States;
- the imposition of new or modified international trade restrictions, tariffs, import and excise duties or other taxes;
- import and export requirements, including restrictions on sales to certain end customers;
- restrictions on foreign ownership and investments, including potential intervention by the Committee on Foreign Investment in the United States (CFIUS) or by other applicable administrative review boards to block strategic transactions that might otherwise be in our shareholders' interests;
- restrictions on repatriation of cash earned in countries outside the U.S.;
- changes in local political, economic, social and labor conditions;
- a less developed and less certain legal and regulatory environment in some countries, which, among other things, can create uncertainty regarding contract enforcement, intellectual property rights and liability issues;
- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act, the UK Bribery Act of 2010; and
- possible disruption of business relationships if any of the above risks disrupt our suppliers or customers' operations, or lead any of our suppliers or customers to relocate some portion of their international operations (for example, we might face a risk of delayed or lost sales if a customer were to move its manufacturing operations out of China due to concerns over tariffs or inadequate respect for intellectual property rights).

The U.S. federal government or other governmental bodies may propose changes to international trade agreements, tariffs, taxes and other government rules and regulations. Any changes to the international trading system, or the emergence of an international trade dispute, could significantly impact our business and have a

negative impact on our revenues. In addition, the U.S. and other countries in which we operate impose import and excise duties, tariffs and other taxes on our products in varying amounts. Any significant increases in import and excise duties or other taxes on our products could have a material adverse effect on our business, liquidity, financial condition and/or results of operations.

For example, our sales were impacted in the second quarter of 2018 when the U.S. Department of Commerce banned U.S. companies from providing exports to ZTE, a Chinese telecoms equipment manufacturer (which ban was subsequently lifted in the third quarter of 2018) in an export controls case. Similarly, general trade tensions between the U.S. and China escalated in 2018, with rounds of U.S. tariffs on Chinese goods taking effect in July, August, and September 2018 (some of which prompted retaliatory Chinese tariffs on U.S. goods). An additional U.S. tariff rate increase was scheduled to take effect on January 1, 2019 but was delayed in December 2018 and again in February 2019. government announced a 90 day delay as the two nations attempt to reach a trade agreement. Further rounds of tariffs have also been threatened by U.S. and Chinese leaders.

The current U.S. tariffs on China-origin goods and the related geopolitical uncertainty between the U.S. and China have caused, and may continue to cause, decreased demand for our products from distributors and other customers, which could have a material adverse effect on our business, liquidity, financial condition, and/or results of operations.

- The August and September 2018 rounds of U.S. tariffs apply to some of our products that are assembled in China and imported to the U.S. Specifically, the August round imposed a 25% tariff on integrated circuits and the September round imposed a 10% tariff on modules, which is scheduled to rise to 25% at the end of the delay period mentioned above, absent a resolution of the trade dispute. Products subject to the tariffs generated approximately 1.5% of our revenue for the fourth quarter of 2018. These current and any future tariffs imposed by the U.S. on products assembled in China that we sell in the U.S. could negatively impact our U.S. sales.
- The August round of U.S. tariffs also imposed a 25% duty on imports of China-origin integrated circuit wafers, which are among the components we include in our products. Although we import some such wafers for testing in the U.S., we then export them overseas for final assembly and/or distribution to customers. Accordingly, we have been able to avoid the wafer tariff to date by use of the "temporary import bond" (or TIB) process established by U.S. Customs, which requires that we separately track each wafer to ensure that, within one year of import, it is either re-exported or destroyed. If we fail to so track any such wafer, we would owe a double duty on the incoming shipment of which that wafer was a part. In addition, upon any such failure, U.S. Customs could (and upon repeated extreme failures U.S. Customs likely would) disallow further use of the TIB process, which would materially increase our production costs. In that case, we might be unable to secure alternate sources for wafers on a timely basis, or at all. In the semiconductor industry, supply chain changes are complicated, time-consuming, and costly, and may disrupt longstanding business relationships that are otherwise advantageous.
- Apart from wafers, the current U.S. tariffs cover only a small fraction of the materials we utilize for manufacturing of our products. We do not anticipate any material impact on our supply chain costs from the U.S. tariffs imposed to date. If the U.S. were to impose tariffs on a broader range of materials that we or our suppliers source from China for use in U.S. manufacturing (and if we were unable to avoid the tariffs by use of the TIB process or other means), such tariffs could cause our costs to increase, which could narrow the profits we earn from sales of products requiring such materials or force us to raise prices, negatively impacting our sales. As mentioned above, the process of changing suppliers in order to mitigate any such tariff costs could be complicated, time-consuming, and costly.
- We believe the U.S. tariffs may cause customers to delay orders as they evaluate where to take delivery of our products in connection with their efforts to mitigate their own tariff exposure. Such delays create forecasting difficulties for us and increase the risk that orders might be canceled or might never be placed.
- Some of our customers embed our products in finished goods they manufacture in China for import to the U.S. Current or future tariffs imposed by the U.S. on such goods could negatively impact our customers' sales, thereby causing an indirect negative impact on our own sales. Any reduction in our customers' sales, and/or any apprehension among distributors and customers of a possible reduction in such sales, would likely cause an indirect negative impact on our own sales. Even in the absence of further tariffs, the related uncertainty and the market's fear of an escalating trade war might cause our distributors and customers to

place fewer orders for our products, which could have a material adverse effect on our business, liquidity, financial condition, and/or results of operations.

- To date, China's retaliatory tariffs have generally focused on other industries. However, if China were to impose tariffs on the products we sell in China, or on the finished goods our customers sell in China, such tariffs (and/or the market's related uncertainty and apprehension) could directly or indirectly reduce demand for our products, negatively impacting our sales.

We could also be affected by nationalization of our international operations, unstable governments, unfamiliar or biased legal systems or intergovernmental disputes. Any determination that our operations or activities did not comply with applicable U.S. or foreign laws or regulations could result in the imposition of fines and penalties, interruptions of business, terminations of necessary licenses and permits, and other legal and equitable sanctions.

These international economic and political uncertainties and regulatory changes could have a material adverse effect on our, or our suppliers' and distributors', business, liquidity, financial condition and/or results of operations.

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 between the nations in which we operate and 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 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, UK Bribery Act of 2010); 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 are subject to many different environmental, data privacy, 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. There can be no assurance 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.

Proposed or new legislation and regulations could also significantly affect our business. There currently are a number of proposals pending before federal, state, and foreign legislative and regulatory bodies. In addition, the new European General Data Protection Regulation (GDPR) took effect in May 2018 and applies to many of our products and services that provide service in Europe. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union. It requires, for example, that we implement measures to change our service or limit access to our service for minors under the age of 16 for certain

countries in Europe that maintain the minimum age of 16 under the GDPR. We are also required to obtain consent and/or offer new controls to existing and new users in Europe before processing data for certain aspects of our service. The GDPR similarly regulates our processing of personal data of European employees, European customers, European sales leads, and other European business contacts. The GDPR provides significant penalties for non-compliance. Similarly, there are a number of legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business, such as liability for copyright infringement by third parties. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

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.

We face risks related to "conflict minerals" reporting.

Our products contain materials that are subject to the SEC's conflict minerals reporting requirements. These requirements require companies to perform ongoing diligence, and to disclose and report whether or not such minerals in their products originate from the Democratic Republic of Congo and adjoining countries. We file such reports annually with the SEC on Form SD. Our relationships with customers and suppliers may be adversely affected if we are unable to describe our products as conflict-free. Additionally, our costs may increase if one or more of our customers demand that we change the sourcing of materials we cannot identify as conflict-free.

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 facilities, the level of coverage might not be sufficient to cover potential losses. Accordingly, 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, Japan, 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.

Changes to Board of Directors and senior management may disrupt our operations, our strategic focus or our ability to drive stockholder value.

Our future success depends, in part, upon our ability to retain key members of our senior management team and our Board of Directors (the "Board") and to attract and retain other highly qualified personnel for our Board and senior management positions. Turnover may disrupt our operations, our strategic focus or our ability to drive stockholder value. If we fail to attract new skilled personnel for our Board and senior management positions, our business and growth prospects could be adversely impacted.

Our governing documents provide indemnities to our officers and directors for which we have purchased insurance. If material liabilities were to arise in excess of our insurance coverage, our financial condition and results of operations could be materially impacted.

Our certificate of incorporation, and by-laws 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, or such liabilities were not covered by insurance coverage, our business, financial condition and results of operations could be seriously harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in San Jose, California. The following table summarizes our primary properties as of the end of fiscal 2018:

| Location | Square Footage | Primary Use |
|-----------------------|----------------|--|
| Owned: | | |
| <u>United States:</u> | | |
| San Jose, California | 171,370 | Administrative offices, research and development |
| Austin, Texas | 1,294,000 | Manufacturing, research and development and administrative offices |
| Lynnwood, Washington | 67,000 | Administrative offices, research and development |
| <u>Asia:</u> | | |
| Cavite, Philippines* | 221,000 | Manufacturing, research and development |
| Bangkok, Thailand | 253,300 | Manufacturing, research and development |
| Penang, Malaysia | 175,900 | Manufacturing, research and development and administrative offices |

* Co-owned with local investor.

In fiscal 2018, we added 33,613 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 21](#) of the Notes to Consolidated Financial Statements under Item 8, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

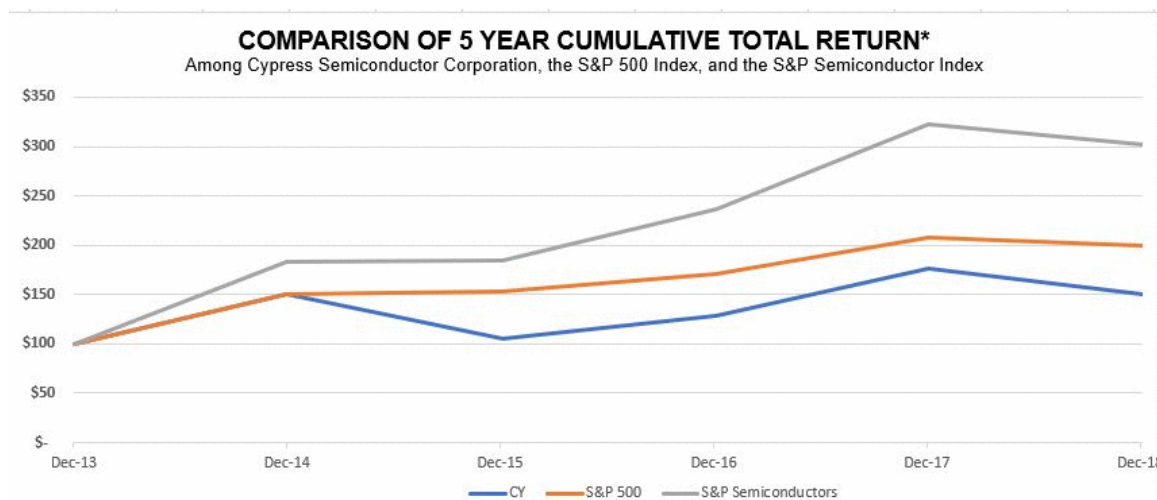
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders of Common Equity, and Performance Graph

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

As of February 20, 2019, there were approximately 1,261 registered holders of record of our common stock.

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



* \$100 invested on 12/29/13 in stock or index, including reinvestment of dividends. Indexes calculated on month-end basis.

Recent Sales of Unregistered Securities

On March 7, 2018, we entered into a privately negotiated agreement with a certain holder of 2% 2020 Spansion Exchangeable Notes ("Spansion Notes") to induce the extinguishment of \$10 million of the remaining \$22 million aggregate principal amount of Spansion Notes outstanding (the "Exchange Transaction"). Pursuant to the terms of the Exchange Transaction, we paid to such holder cash in the amount of \$10 million representing the par value of the principal amount of Spansion Notes exchanged in the Exchange Transaction and delivered 1.4 million shares (the "Shares") of our Common Stock, par value \$0.01 per share, for the conversion value in excess of the principal amount of such Spansion Notes. The Exchange Transaction was conducted as a private placement transaction and the Shares were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

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 share repurchase plan pursuant to which we are authorized to repurchase our common stock in an aggregate amount not to exceed \$450 million. 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.

Yield Enhancement Program (“YEP”):

In fiscal 2018, 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.

There was no activity in our yield enhanced structured agreements during fiscal 2017 and 2016.

The table below sets forth information with respect to repurchases of our common stock made during fiscal 2016 and 2018 under this program, and the activity of our settled yield enhanced structured agreement during fiscal 2018. There were no repurchases of our common stock in fiscal 2017.

| | 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) | | | | |
| 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 | 23,835 | | 23,835 | \$ 210,844 |
| Repurchases in fiscal 2018: | | | | |
| April 2, 2018—July 1, 2018 | 610 | \$ 16.38 | 610 | \$ 200,845 |
| July 2, 2018—September 30, 2018 | 598 | \$ 16.73 | 598 | \$ 190,846 |
| October 2018 | 300 | \$ 12.6 | 300 | \$ 187,065 |
| November 2018 | 585 | \$ 13.52 | 585 | \$ 179,157 |
| Total repurchases in fiscal 2018 | 2,093 | | 2,093 | \$ 179,157 |
| Yield enhancement program in fiscal 2018 | | | | |
| October 1, 2018—December 30, 2018 | 250 | \$ 13.37 | 250 | \$ 175,815 |
| Total repurchases under this program | 31,836 | | 31,836 | |

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 Part II, Item 7, and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements under Part II, Item 8:

| | Year Ended | | | | |
|--|-------------------|-------------------|---------------------|---------------------|-----------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 (2) | January 3, 2016 (2) | December 28, 2014 (2) |
| (in thousands, except per-share amounts) | | | | | |
| Consolidated Statement of Operations Data: | | | | | |
| Revenues | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 | \$ 1,607,853 | \$ 725,497 |
| Operating income (loss) | 164,428 | 78,093 | (608,738) | (323,330) | 22,873 |
| Net income (loss) (1) | 354,831 | (80,783) | (683,877) | (367,563) | 16,518 |
| Net (gain) loss attributable to non-controlling interest, net of taxes | \$ (239) | \$ (132) | \$ 643 | \$ 2,271 | \$ 1,418 |
| Net income (loss) attributable to Cypress | \$ 354,592 | \$ (80,915) | \$ (683,234) | \$ (365,292) | \$ 17,936 |
| Net income (loss) attributable to Cypress per share—basic | \$ 0.99 | \$ (0.24) | \$ (2.14) | \$ (1.21) | \$ 0.11 |
| Net income (loss) attributable to Cypress per share—diluted | \$ 0.95 | \$ (0.24) | \$ (2.14) | \$ (1.21) | \$ 0.11 |
| Dividends per share: | | | | | |
| Declared | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.44 |
| Paid | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.44 | \$ 0.44 |
| Shares used in net income (loss) per-share calculation: | | | | | |
| Basic | 359,324 | 333,451 | 319,522 | 302,036 | 159,031 |
| Diluted | 372,178 | 333,451 | 319,522 | 302,036 | 169,122 |

| | As of | | | | |
|---|-------------------|-------------------|---------------------|---------------------|-------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 (4) | January 3, 2016 (4) | December 28, 2014 |
| (in thousands) | | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Cash, cash equivalents and short-term investments | \$ 285,720 | \$ 151,596 | \$ 121,144 | \$ 227,561 | \$ 118,812 |
| Working capital (1) | \$ 396,208 | \$ 147,854 | \$ 191,486 | \$ 326,114 | \$ 37,479 |
| Total assets (1) | \$ 3,693,215 | \$ 3,537,050 | \$ 3,871,871 | \$ 4,004,261 | \$ 743,281 |
| Debt (3) | \$ 881,178 | \$ 983,816 | \$ 1,225,131 | \$ 688,265 | \$ 243,250 |
| Stockholders' equity (1) | \$ 2,117,039 | \$ 1,817,592 | \$ 1,892,752 | \$ 2,716,423 | \$ 201,865 |

- (1) Our Consolidated Financial Statements include the financial results of Spansion beginning March 12, 2015 and the financial results of the wireless IoT business acquired from Broadcom beginning July 5, 2016. The comparability of our results for the years ended December 30, 2018, December 31, 2017, January 1, 2017, and January 3, 2016 to the prior year is significantly impacted by these transactions.
- (2) During the fourth quarter of fiscal 2014, we started recognizing revenue for sales to certain distributors at the time of shipment (also referred to as "sell in" basis), as compared to when the products were resold by the distributor to the end customer, as we determined we 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. As at the end of fiscal 2016, 100% of the distribution revenue had been converted to the sell-in basis of revenue recognition.

- (3) The debt, net of costs, in fiscal year 2018 primarily included \$467.9 million related to our Term Loan B, \$135.1 million related to our 2% 2023 Exchangeable Notes, \$256.7 million related to our 4.5% 2022 Senior Exchangeable Notes, and \$11.4 million related to our 2% 2020 Spansion Exchangeable Notes. The debt, net of costs, in fiscal year 2017 primarily included \$90.0 million related to our Senior Secured Revolving Credit Facility, \$495.4 million related to our Term Loan B, \$131.4 million related to our 2% 2023 Exchangeable Notes, \$246.6 million related to our 4.5% 2022 Senior Exchangeable Notes, and \$20.4 million related to our 2% 2020 Spansion Exchangeable Notes. The debt, net of costs, in fiscal year 2016 primarily included \$332.0 million related to our Senior Secured Revolving Credit Facility, \$95.0 million related to our Term Loan A, \$444.4 million of Term Loan B, \$287.5 million related to our 4.5% 2022 Senior Exchangeable Notes, and \$150 million related to our 2% 2020 Spansion Exchangeable Notes. The debt, net of costs, in fiscal year 2015 primarily included \$449.0 million related to our Senior Secured Revolving Credit Facility, \$97.2 million related to our Term Loan A, \$150.0 million related to our 2% 2020 Spansion Exchangeable Notes, \$7.2 million related to our capital leases and \$3.0 million related to our equipment loans. The debt in fiscal year 2014, net of costs, primarily included \$227.0 million related to our Senior Secured Revolving Credit Facility, \$10.3 million related to our capital leases, and \$5.9 million related to our equipment loans. See [Note 15](#) for more information on Credit Facility and other debt.

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") should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. The MD&A contains 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 (together with its consolidated subsidiaries, "Cypress", "the Company", "we" or "us") manufactures and sells advanced embedded system solutions for automotive, industrial, consumer and enterprise end markets. Cypress' microcontroller, analog ICs, wireless and wired connectivity solutions and memory products help engineers design differentiated products and help with speed to market. Cypress is committed to providing customers with quality support and engineering resources.

The Company operates on a 52 or 53-week fiscal year ending on the Sunday nearest to December 31. Fiscal years 2018, 2017 and 2016 each contained 52 weeks.

Mergers, Acquisitions and Divestitures

Joint Venture with SK hynix system ic Inc. ("SKHS")

On October 23, 2018, we entered into an agreement whereby we will transfer our NAND business to a JV with SKHS. The transaction is subject to customary closing conditions and regulatory approvals. We presently expect that the transaction will be completed in the first quarter of fiscal 2019. In addition to our NAND Flash business, we will contribute \$2.4 million in cash towards the equity of the JV. We will own 40% of the JV's common stock. The NAND business is presently reported as part of the MPD segment. We recognized \$167.3 million, \$168.1 million and \$180.5 million in revenue from the NAND business for the years ended December 30, 2018, December 31, 2017 and January 1, 2017.

Sale of Cypress Minnesota Incorporated

In fiscal 2017, we completed the sale of our wafer fabrication facility in Minnesota for gross proceeds of \$30.5 million.

Investment in Deca Technologies Inc.

On July 29, 2016, Deca Technologies Inc. ("Deca"), our majority owned subsidiary entered into a share purchase agreement, whereby certain third-party investors purchased 41.1% of the shares outstanding at that time 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 was reduced to 52.2% as at July 29, 2016. As a consequence of the substantive rights afforded to third-party new investors in the share 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 impact Deca's economic performance. However, as we continue to have significant influence over Deca's financial and operating policies, effective July 29, 2016, our investment in Deca is being accounted for as an equity method investment and financial results of Deca are no longer being consolidated.

Acquisition of Broadcom Corporation's Internet of Things business ("wireless IoT business")

On July 5, 2016, we completed the acquisition of certain assets primarily related to the wireless IoT business of Broadcom pursuant to an Asset Purchase Agreement with Broadcom Corporation, dated April 28, 2016, for a total consideration of \$550 million.

Our consolidated financial statements include the financial results of the wireless IoT business acquired from Broadcom beginning July 5, 2016. The comparability of our results for the years ended December 30, 2018 and December 31, 2017 to the prior year is significantly impacted by this transaction.

Business Developments

Business Segments

We continuously evaluate our reportable business segments in accordance with the applicable accounting guidance. Consistent with the year ended December 31, 2017, the Company operates under two reportable business segments, MPD and MCD, for the year ended December 30, 2018.

RESULTS OF OPERATIONS

Revenues

Our total revenues increased by \$156.1 million, or 6.7%, to \$2,483.8 million for the year ended December 30, 2018 compared to the prior fiscal year. For the year ended December 30, 2018, the increase was primarily driven by strength in automotive and wireless connectivity, microcontrollers, and memory products.

Revenue for the year ended December 31, 2017 benefited from our acquisition of the IoT business of Broadcom, as compared to the prior year which included such sales only for a partial period post acquisition.

The following table summarizes our consolidated revenues by segments:

| | Year Ended | | |
|----------------|---------------------|---------------------|---------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| MCD | \$ 1,474,442 | \$ 1,409,265 | \$ 994,482 |
| MPD | 1,009,398 | 918,506 | 928,626 |
| Total revenues | <u>\$ 2,483,840</u> | <u>\$ 2,327,771</u> | <u>\$ 1,923,108</u> |

Microcontroller and Connectivity Division:

Revenues recorded by MCD increased in fiscal 2018 by \$65.2 million, or 4.6%, compared to fiscal 2017. The increase was primarily driven by growth in our microcontrollers, wired and wireless connectivity and automotive products. MCD revenue during fiscal 2018 benefited from volume increases as a result of new program ramps at certain customers.

Revenues recorded by MCD increased in fiscal 2017 by \$414.8 million, or 41.7%, compared to fiscal 2016. We acquired the wireless IoT business acquired from Broadcom on July 5, 2016. Consequently, fiscal 2016 revenue included the results of the wireless IoT business for only a partial year. Additionally, MCD revenues increased in fiscal 2017 as compared to fiscal 2016, due to increased revenue from our wired and wireless connectivity and microcontrollers products.

Memory Products Division:

Revenues recorded by MPD increased in fiscal 2018 by \$90.9 million, or 9.9% compared to fiscal 2017. The increase was primarily due to growth in revenue from the Flash memory products. MPD revenue increased over fiscal 2017 primarily due to a shift in product mix towards high density NOR products, as well as an increase in revenue on NAND products.

Revenues recorded by MPD decreased in fiscal 2017 by \$10.1 million, or 1.1% compared to fiscal 2016. The decrease was primarily due to declines in revenue from memory products. MPD revenue decreased over fiscal 2016 due to a decline in revenue from NAND products offset by strength in revenue from NOR products.

Gross Profit & Margin

| | Year Ended | | |
|------------------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Revenues | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |
| Less: Cost of revenues | \$ 1,552,385 | \$ 1,545,837 | \$ 1,464,612 |
| Gross profit | 931,455 | 781,934 | 458,496 |
| Gross margin (%) | 37.5% | 33.6% | 23.8% |

Our gross margin improved from 33.6% in fiscal 2017 to 37.5% in fiscal 2018. The primary drivers of the improvement in gross margin were higher fab utilization, which increased from 74.2% for the year ended December 31, 2017 to 81.2% for the year ended December 30, 2018; a reduction in the cost of certain products; a shift in the product mix towards higher density memory products and a decrease in commoditized products; and ramping of new products at favorable margins.

Additionally, there was a reduction in write-downs of carrying value of inventory for the year ended December 30, 2018 as compared to the prior year. Write-down of inventories for the year ended December 30, 2018 was \$22.3 million as compared to \$34.5 million for the year ended December 31, 2017. Write-down of inventories unfavorably impacted our gross margin by 0.9% and 1.5% for the year ended December 30, 2018 and for the year ended December 31, 2017, respectively. Sale of inventory that was previously written off or written down aggregated to \$19.5 million and \$31.6 million in fiscal 2018 and fiscal 2017, respectively, which favorably impacted our gross margin by 0.8% and 1.4%, respectively.

Included in the cost of revenues are restructuring costs of \$3.3 million and \$0.6 million for fiscal 2018 and fiscal 2017, respectively. The increase in restructuring costs is primarily due to the 2018 Plan (as defined below), which we began implementing in the first quarter of 2018.

Included in cost of revenues is the amortization of intangible assets of \$196.0 million and \$175.0 million for fiscal 2018 and fiscal 2017, respectively. The increase of the amortization of intangible assets is mainly due to the increase of in-process research and development ("IPR&D") projects capitalized during the year.

Included in cost of revenues in fiscal 2018 is the impairment of assets held for sale of \$10.9 million as a result of entering into a definitive agreement to divest the NAND products business to a joint venture with SKHS in October 2018.

Our gross margin improved from 23.8% in fiscal 2016 to 33.6% in fiscal 2017. The primary drivers of the improvement in gross margin were sales from the acquired wireless IoT business, which were accretive to our gross margin in 2017, higher fab utilization, which increased from 56.0% for the year ended January 1, 2017 to 74.2% for the year ended December 31, 2017, and a reduction in the cost of certain products and ramping of new products at accretive margins. This was partially offset by higher write downs of carrying value of inventory during the year ended December 31, 2017 as compared to the same prior year period. Write-down of inventories for the

year ended December 31, 2017 was \$34.5 million as compared to \$25.3 million for the year ended January 1, 2017. Write-down of inventories unfavorably impacted our gross margin by 1.5% and 1.3% for the year ended December 31, 2017 and for the year ended January 1, 2017, respectively. Sale of inventory that was previously written off or written down aggregated to \$31.6 million and \$65.7 million in fiscal 2017 and fiscal 2016, respectively, which favorably impacted our gross margin by 1.4% and 3.4%, respectively. Included in the cost of revenues are restructuring costs of \$0.5 million and \$1.4 million for the fiscal 2017 and fiscal 2016, respectively. 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. In addition, we recorded an impairment charge of \$37.2 million related to the sale of our wafer manufacturing facility located in Bloomington, Minnesota, as well as a building in Austin, Texas during fiscal 2016, to reflect the estimated fair value, net of cost to sell these assets. During fiscal 2017, we recorded a \$1.2 million adjustment as a result of changes in certain estimates related to these assets, resulting in a reduction of operating expense.

Research and Development ("R&D")

Our R&D efforts are focused on the development and design of new semiconductor products and design methodologies, as well as the continued development of advanced software platforms. Our R&D organization works with our manufacturing facilities, suppliers and customers to improve our semiconductor designs and lower our manufacturing costs.

Our R&D 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, Ukraine, Ireland, Germany, Israel, India, Japan and China.

| | Year Ended | | |
|-----------------------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| R&D expenses | \$ 363,996 | \$ 362,931 | \$ 347,131 |
| As a percentage of revenues | 14.7% | 15.6% | 18.1% |

R&D expenditures increased by \$1.1 million in fiscal 2018 compared to the prior year. The increase was mainly attributable to \$5.4 million in increased labor costs mainly due to employee-related compensation expenses, \$3.6 million increase in depreciation, and \$1.8 million in licensing payments to certain vendors, partially offset by a \$4.1 million in lower restructuring costs, \$3.8 million decrease in deferred compensation expenses, and a \$1.7 million decrease in stock-based compensation expenses.

R&D expenditures increased by \$15.8 million in fiscal 2017 compared to fiscal 2016. The increase was mainly attributable to \$40.3 million of expenses due to the wireless IoT business acquisition which was primarily comprised of \$28.2 million of increase in labor costs due to increased headcount and an increase of \$12.1 million in expensed assets. The above increases were partially offset by a \$1.4 million decrease in stock-based compensation expense and a \$23.1 million decrease in other R&D expenses, mainly due to reduction in labor costs due to Cypress 3.0 restructuring initiatives.

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

| | Year Ended | | |
|-----------------------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| SG&A expenses | \$ 403,031 | \$ 340,910 | \$ 720,103 |
| As a percentage of revenues | 16.2% | 14.6% | 37.4% |

SG&A expenses increased by \$62.1 million in fiscal 2018 compared to fiscal 2017. The increase was mainly due to an impairment of goodwill attributable to NAND of \$65.7 million, a \$9.1 million increase in restructuring costs, a \$5.1 million increase in stock-based compensation, a \$3.8 million increase in higher professional fee, a \$3.4 million increase in advertising expenses and a \$2.5 million increase in facilities expenses, partially offset by a \$14.3 million decrease in shareholder litigation, a \$7.9 million decrease in labor expenses, and a \$5.0 million decrease in deferred compensation expenses.

SG&A expenses decreased by \$379.2 million in fiscal 2017 compared to fiscal 2016. The decrease was mainly due to a goodwill impairment charge of \$488.5 million related to our former PSD reporting unit, a \$15.4 million decrease in acquisition cost related to the wireless IoT acquisition, a \$6.1 million decrease in restructuring cost, a \$5.0 million decrease in executive severance costs and a \$10.0 million decrease in non-recurring costs, partially offset by a \$112.8 million decrease in gain related to Deca Technologies (the gain was recorded in 2016), a \$14.3 million increase in shareholder litigation and proxy related expenses, a \$8.2 million increase in labor costs, a \$5.4 million increase in wireless IoT business operating expenses, and an increase of \$3.1 million in stock-based compensation expenses.

Interest expense

Interest expense for fiscal 2018 was \$65.3 million and primarily represents interest payments due and amortization of debt discount and costs related to our 2% 2023 Exchangeable Notes, 4.5% 2022 Senior Exchangeable Notes, 2% 2020 Spansion Exchangeable Notes, and interest expense incurred on our Revolving Credit Facility, Term Loan B and other debt. In addition, of the \$65.3 million, \$5.2 million was related to the refinancing and write-off of debt issuance costs upon the debt amendment for Term Loan B and the extinguishment for the 2% 2020 Spansion Exchangeable Notes.

Interest expense for fiscal 2017 was \$80.2 million and primarily represents interest payments due and amortization of debt discount and costs related to our 2% 2023 Exchangeable Notes, 4.5% 2022 Senior Exchangeable Notes, and 2% 2020 Spansion Exchangeable Notes, and interest expense incurred on our Revolving Credit Facility, Term Loan B and other debt. In addition, of the \$80.2 million, \$7.2 million was related to the debt extinguishment of the 2% 2020 Spansion Exchangeable Notes and Term Loan A.

Interest expense for fiscal 2016 was \$55.2 million and represents interest payments due and amortization of debt discount and costs related to our 4.50% Senior Exchangeable Notes and 2% Senior Exchangeable Notes, and interest expense incurred on our revolving line of credit, Term Loan A, Term Loan B and other debt.

Refer to [Note 15](#) of the Notes to Consolidated Financial Statements under [Item 8](#) for more information about our credit facility and other debt.

Other Income (expense), Net

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

| | Year Ended | | |
|---|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Interest income | \$ — | \$ 568 | \$ 1,836 |
| Changes in fair value of investments under the deferred compensation plan | (2,904) | 6,087 | 2,326 |
| Unrealized (loss) gain on marketable securities | — | — | 325 |
| Foreign currency exchange and other (losses) gains, net | (340) | (1,838) | (4,251) |
| (Loss) gain on sale of investments | 351 | — | (265) |
| Other | 375 | (549) | 342 |
| Other (expense) income, net | <u>\$ (2,518)</u> | <u>\$ 4,268</u> | <u>\$ 313</u> |

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 2018, 2017 and 2016, we recognized changes in fair value of the assets under the deferred compensation plan in "Other income (expense), net" of \$(2.9) million, \$6.1 million, and \$2.3 million, 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 19](#) of the Notes to Consolidated Financial Statements under [Item 8](#) for more information about our deferred compensation plan.

Share in Net Loss and Impairment of Equity Method Investees

We have been making investments in Enovix Corporation ("Enovix"), a privately held development stage company. Our investment holding comprised 24.8%, 41.2% and 46.6% of Enovix's equity at the end of fiscal 2018, 2017 and 2016, respectively. Since the fourth quarter of 2014 we have been accounting for our investment in Enovix using the equity method of accounting. During the fourth quarter of 2017, Enovix missed achieving certain key planned product development milestones. We considered various factors in determining whether to recognize an impairment charge, including the expectations of the investee's future cash flows and capital needs, the length of time the investee has been in a loss position, the ability to achieve milestones, and the near-term prospect of the investee and its exit strategy. Enovix's estimated enterprise value is sensitive to its ability to achieve these milestones. Consequently, we concluded that our investment in Enovix had suffered an other-than-temporary impairment and we recorded a charge of \$51.2 million.

In fiscal 2018, we did not record any share of losses recorded by Enovix. During fiscal 2017 and 2016, we recorded \$8.7 million and \$9.9 million, respectively, for our share of losses recorded by Enovix.

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 at the end of fiscal years 2018 and 2017, our investment comprised 52.5% of Deca's equity. During the fourth quarter of fiscal 2018, the Company determined that its investment in Deca, which is accounted for as an equity method investment, was other-than-temporarily impaired due to failure to achieve significant product development and testing milestones. We considered various factors in determining whether to recognize an impairment charge, including the expectations of the investee's future cash flows and capital needs, the length of time the investee has been in a loss position, the ability to achieve milestones, and the near-term prospect of the investee and its exit strategy. Deca's estimated enterprise value is sensitive to its ability to achieve these milestones. Consequently, we recognized a charge of \$41.5 million in order to write down the carrying amount of the investment to the estimated fair value of \$65.1 million as at end of fiscal 2018. This write down was recorded in "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

During fiscal 2018 and 2017, we recorded \$15.8 million and \$11.8 million, respectively, for our share of losses recorded by Deca.

Income Taxes

We recorded an income tax benefit of \$315.6 million in fiscal 2018, and income tax provisions of \$11.2 million and \$2.6 million in fiscal 2017 and 2016, respectively. The income tax benefit for 2018 was primarily due to a release of our valuation allowance previously maintained against certain deferred tax assets of \$343.3 million, as discussed further below. The income tax expenses for fiscal 2017 and 2016 were primarily attributable to income taxes associated with our non-U.S. operations, partially offset by release of previously accrued taxes related to the lapsing of statutes of limitation.

A valuation allowance is established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of the deferred tax assets will not be realized. We regularly assess our valuation allowance against deferred tax assets on a jurisdiction by jurisdiction basis. We consider all available positive and negative evidence, including future reversals of temporary differences, projected future taxable income, tax planning strategies and recent financial results. During the fourth quarter of 2018, the Company emerged from a cumulative loss position over the previous three years. The cumulative three-year pre-tax income is considered positive evidence which is objective and verifiable and thus received significant weighting. The continued pattern of income before tax, recent global restructuring executed in fiscal 2018 and projected future operating income in the U.S. was additional positive evidence. As a result, the Company released \$343.3 million of the valuation allowance attributable to certain U.S. deferred tax assets during 2018.

Our effective tax rate varies from the U.S. statutory rate primarily due to a release of valuation allowance and earnings of foreign subsidiaries taxed at different rates. 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 treaties, and regulatory and judicial developments in the many countries in which we and our affiliates do business.

LIQUIDITY AND CAPITAL RESOURCES

Our Revolving Credit Facility has a capacity of \$540 million. As of December 30, 2018, the Revolving Credit Facility was undrawn and provided a guarantee for one outstanding letter of credit for \$1 million.

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

| | As of | | |
|---|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Cash, cash equivalents and short-term investments | \$ 285,720 | \$ 151,596 | \$ 121,144 |
| Working capital, net | \$ 396,208 | \$ 147,854 | \$ 191,486 |

Key Components of Cash Flows

| | Year Ended | | |
|---|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (in thousands) | | |
| Net cash provided by operating activities | \$ 471,700 | \$ 403,487 | \$ 217,419 |
| Net cash used in investing activities | \$ (49,690) | \$ (14,429) | \$ (613,439) |
| Net cash provided by (used in) financing activities | \$ (287,886) | \$ (357,634) | \$ 289,502 |

Fiscal 2018:

Operating Activities

Net cash provided by operating activities during fiscal 2018 was \$471.7 million consisted of (in millions):

| | |
|---|----------|
| Net income | \$ 354.8 |
| Non-cash items | |
| Stock-based compensation expenses | 96.0 |
| Depreciation and amortization | 283.0 |
| Impairment of assets held for sale | 76.6 |
| Loss on sale or retirement of property and equipment, net | 7.5 |
| Change in interest rate swaps | 2.8 |
| Share in net loss and impairment of equity method investees | 57.4 |
| Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt | 19.5 |
| Release of valuation allowance | (343.3) |
| Loss on extinguishment of debt | 5.2 |
| Restructuring and other costs | 16.1 |
| Changes in operating asset and liability accounts | (103.9) |
| | \$ 471.7 |

The decrease in net cash due to changes in operating assets and liabilities during fiscal 2018 of \$103.9 million was primarily due to the following:

- an increase in accounts receivables of \$23.8 million mainly due to an increase in revenue,
- an increase in inventories of \$20.8 million,
- an increase in other current and long-term assets of \$5.4 million,
- a decrease in accounts payable and accrued and other liabilities of \$36.7 million mainly due to timing of payments and payments related to restructuring activities,
- a decrease in price adjustments and other distributor related reserved of \$14.5 million, and
- an increase in assets held for sale related inventories of \$13.5 million due to the sale of NAND business.

Investing Activities

In fiscal 2018, we used approximately \$49.7 million of cash in our investing activities primarily due to:

- \$68.9 million of cash used for property and equipment expenditures relating to purchases of certain laboratory and manufacturing facility equipment, partially offset by:
- \$5.8 million of cash received on the sales of property and equipment, and
- \$18.5 million of cash received related to our investments in privately held equity interests.

Financing Activities

In fiscal 2018, we used approximately \$287.9 million of cash in our financing activities, primarily related to:

- \$157.4 million dividend payments,
- net repayments of \$90.0 million on the Senior Secured Revolving Credit Facility,
- \$35.6 million repayment of Term Loan B.
- \$35.0 million for stock repurchase,
- \$10.0 million repayment of 2% 2020 Spansion Exchangeable Notes, and
- The above payments were partially offset by \$40.7 million due to issuance of common stock.

Fiscal 2017:

Operating Activities

Net cash provided by operating activities during fiscal 2017 was \$403.5 million consisted of (in millions):

| | |
|---|--------|
| Net income | (80.8) |
| Non-cash items | |
| Stock-based compensation expenses | 91.6 |
| Depreciation and amortization | 264.9 |
| Gain on divestitures | (1.2) |
| Gain on sale or retirement of property and equipment, net | (1.2) |
| Share in net loss and impairment of equity method investees | 71.8 |
| Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt | 21.1 |
| Loss on extinguishment of debt | 7.2 |
| Restructuring and other costs | 9.0 |
| Changes in operating asset and liability accounts | 21.1 |
| | 403.5 |

The increase in net cash due to changes in operating assets and liabilities during fiscal 2016 of \$21.1 million was primarily due to the following:

- a decrease in accounts payable and accrued and other liabilities of \$59.0 million mainly due to timing of payments and payments related to restructuring activities,
- an increase in price adjustments and other distributor related reserves of \$19.1 million,
- an increase in inventories of \$14.3 million to support increased expected demand for IoT and other MCD products,
- an increase in other current and long-term assets of \$9.6 million, primarily due to timing of payments for certain licenses, and
- an increase in accounts receivables of \$37.0 million mainly due to an increase in revenue.

Investing Activities

In fiscal 2017, we used approximately \$14.4 million of cash in our investing activities primarily due to:

- \$54.3 million of cash used for property and equipment expenditures relating to purchases of certain laboratory and manufacturing facility equipment and \$9.3 million related to our equity method and cost method investments, partially offset by:
- \$35.5 million of cash received on the sale of the wafer manufacturing facility located in Bloomington, Minnesota and a building in Austin, Texas,
- receipt of \$10.0 million of previously escrowed consideration from the divestiture of our TrueTouch® mobile touchscreen business, and
- \$2.3 million of cash received on the sales of property and equipment.

Financing Activities

In fiscal 2017, we used approximately \$357.6 million of cash in financing activities, primarily from:

- \$144.7 million in dividend payments,
- net repayments of \$242.0 million on the Revolving Credit Facility,
- \$128.0 million repayment of 2% 2020 Spansion Exchangeable Notes, and
- \$118.7 million repayment of Term Loan A and Term Loan B.
- The above payments were partially offset by \$91.3 million of borrowings under Term Loan B and \$150.0 million of borrowing under 2% 2023 Exchangeable Notes.

Liquidity and Contractual Obligations

Summary of our debt balances is included below:

| | December 30, 2018 | | |
|-------------------------------------|---------------------------------|--|-----------------------------------|
| | Principal amount outstanding | Less: Unamortized discount and issuance costs | Net carrying value outstanding |
| | (in thousands) | | |
| Term Loan B | 476,310 | 8,391 | 467,919 |
| 2% 2020 Spansion Exchangeable Notes | 11,990 | 552 | 11,438 |
| 4.5% 2022 Senior Exchangeable Notes | 287,500 | 30,774 | 256,726 |
| 2% 2023 Exchangeable Notes | 150,000 | 14,943 | 135,057 |
| Capital Lease Obligation | \$ 10,038 | \$ — | \$ 10,038 |
| Total Debt | \$ 935,838 | \$ 54,660 | \$ 881,178 |

Of the total principal amount outstanding, \$6.9 million related to Term Loan B and capital lease obligation is classified in current liabilities as of December 30, 2018.

| | December 31, 2017 | | |
|--|---------------------------------|--|-----------------------------------|
| | Principal amount outstanding | Less: Unamortized discount and issuance costs | Net carrying value outstanding |
| | (in thousands) | | |
| Senior Secured Revolving Credit Facility | \$ 90,000 | \$ — | \$ 90,000 |
| Term Loan B | 511,924 | 16,541 | 495,383 |
| 2% 2020 Spansion Exchangeable Notes | 21,990 | 1,615 | 20,375 |
| 4.5% 2022 Senior Exchangeable Notes | 287,500 | 40,864 | 246,636 |
| 2% 2023 Exchangeable Notes | 150,000 | 18,578 | 131,422 |
| Total Debt | \$ 1,061,414 | \$ 77,598 | \$ 983,816 |

Of the total principal amount outstanding, \$27.3 million related to Term Loan B was classified in current liabilities as of December 31, 2017.

On March 12, 2015, we entered into an Amended and Restated Credit and Guaranty Agreement with Morgan Stanley Bank, N.A., as issuing bank, and other lenders (as amended, the "Credit Agreement"). The Credit Agreement establishes a credit facility (the "Credit Facility" or "Senior Secured Credit Facility") that includes a revolving loan facility (the "Revolving Credit Facility") and provides for the possibility of term loans.

The Revolving Credit Facility provides for \$540 million of borrowing capacity, of which \$450 million was available at December 31, 2017 and \$540 million was available at December 31, 2018.

We believe that the liquidity provided by existing cash, cash equivalents 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 December 30, 2018, we were in compliance with all of the financial covenants under the Senior Secured Credit Facility.

Refer to [Note 15](#) of the Notes to Consolidated Financial Statements under Item 8 for more information on our debt obligations.

Contractual Obligations

The following table summarizes our contractual obligations as of December 30, 2018:

| | Total | 2019 | 2020 and 2021 | 2022 and 2023 | After 2023 |
|---|----------------|------------|---------------|---------------|------------|
| | (In thousands) | | | | |
| Purchase obligations (1) | \$ 402,918 | \$ 169,033 | \$ 181,622 | \$ 52,263 | \$ — |
| Operating lease commitments (2) | 62,876 | 29,315 | 21,036 | 8,717 | 3,808 |
| Capital lease commitments | 10,038 | 1,687 | 3,397 | 3,513 | 1,441 |
| 2% 2023 Exchangeable Notes | 150,000 | — | — | 150,000 | — |
| 4.5% 2022 Senior Exchangeable Notes | 287,500 | — | — | 287,500 | — |
| 2% 2020 Spansion Exchangeable Notes | 11,990 | — | 11,990 | — | — |
| Term Loan B | 476,310 | 5,051 | 471,259 | — | — |
| Interest and commitment fee due on debt (3) | 105,342 | 38,164 | 63,026 | 4,113 | 39 |
| Asset retirement obligations | \$ 5,916 | \$ 1,614 | \$ 3,966 | \$ 336 | \$ — |
| Total contractual obligations | \$ 1,512,890 | \$ 244,864 | \$ 756,296 | \$ 506,442 | \$ 5,288 |

- (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, that have remaining terms in excess of one year.
- (2) Operating leases include payments in 2019 relating to Spansion's lease for which the Company has signed a termination agreement, see Note 11.
- (3) Interest and commitment fees due on variable debt is based on the effective interest rates as of December 30, 2018.

Capital Resources and Financial Condition

Our long-term strategy is to minimize the amount of cash required for operational purposes and to utilize the remaining amount of our cash investing 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 December 30, 2018, a total cash and cash equivalents position of \$285.7 million is available for use in current operations.

As of December 30, 2018, approximately 23.8% of our cash and cash equivalents 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.

In December 2017, we entered into fixed-for-floating interest rate forward swap agreements (expiring July 2021) with two counterparties starting from April 2018, to swap variable interest payments on our debt for fixed interest payments. The aggregate notional amount of these interest rate swaps was \$300 million. The interest rate on the variable debt was fixed in December 2017 and became effective in April 2017.

On March 7, 2018, we entered into a privately negotiated agreement to induce the extinguishment of \$10 million of the remaining \$22 million of Spansion Notes outstanding. We paid the holders of the Spansion Notes cash for the aggregate principal of \$10 million and delivered 1.4 million shares of common stock for the value in excess of the principal amount.

On March 12, 2018, we amended our Credit Agreement. The amendment reduces the applicable margins on the Revolving Credit Facility and Term Loan B. After giving effect to the amendment, the Term Loan B bore interest, at our option, at the base rate plus an applicable margin of 1.25% or the Eurodollar rate plus an applicable margin of 2.25%; and the Revolving Credit Facility bore interest, at our option, at the base rate plus an applicable margin of either 0.75% or 1.00%, depending on our secured leverage ratio, or the Eurodollar rate plus an applicable margin of 1.75% or 2.00%, depending on the Company's secured leverage ratio. The amendment removed the fixed charge coverage ratio financial covenants. In addition, for Term Loan B, the amendment removed the total leverage ratio covenant, changed the required amortization payments to 1% per annum, and waived the excess cash flow mandatory repayment for fiscal 2017.

On September 13, 2018, we again amended our Credit Agreement. The amendment reduces the applicable margin for Term Loan B. After giving effect to the amendment, Term Loan B will bear interest, at our option, at the base rate plus an applicable margin of 1.00% or the Eurodollar rate plus an applicable margin of 2.00%. In addition, for Term Loan B, the amendment waived the excess cash flow mandatory repayment for fiscal 2018. As part of the transaction we repaid \$25.0 million of outstanding Term Loan B principal.

In October 2018, we entered into fixed-for-floating interest rate forward swap agreements starting in July 2021 with two counterparties to swap variable interest payments on expected future debt for fixed interest payments; these agreements will expire in December 2024. The aggregate notional amount of these interest rate swaps is \$300 million.

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, if economic conditions deteriorate, debt covenants unexpectedly impact our business, 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, repurchase shares of our stock, 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 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:

On January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This standard update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. We adopted using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application (i.e., January 1, 2018). Results for reporting periods after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 605.

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or

services. Sales of products with alternative use account for the majority of the Company's revenue and are recognized at a point in time.

Sales to certain distributors are made under arrangements that provide the distributors with price adjustments, price protection, stock rotation and other allowances under certain circumstances. These adjustments and allowances are accounted for as variable consideration. The Company estimates these amounts based on the expected amount to be provided to customers and reduce revenue recognized. The Company believes that there will not be significant changes to its estimates of variable consideration.

If the arrangement includes variable contingent consideration, the Company recognizes revenue over time if management can reasonably measure its progress or is capable of providing reliable information as required to apply an appropriate method of measuring progress.

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 our 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 we have made have been reasonable and appropriate, they are based in part on historical experience and information obtained from our 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 released 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. Additionally, if certain events or circumstances indicate that an impairment loss may have been incurred, we will also perform an impairment assessment 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.

Investments in equity interests

Investments in the stock of entities in which we exercise significant influence but do not own a majority equity interest or otherwise control are accounted for using the equity method and are included as equity method investments in our consolidated balance sheets. We record our share of the results of those companies within share in net loss and impairment of equity method investees in our consolidated statements of operations. Investments in privately held equity interests in which we do not exercise significant influence are accounted for using the cost method of accounting and are included in other long-term assets in our consolidated balance sheets.

We review our investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the entities including current earnings trends and forecasted cash flows, and other company and industry specific information.

Cash Flow Hedges:

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 enter 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. Our foreign currency forward contracts that were designated as cash flow hedges have maturities between three and thirteen months. We evaluate hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and record any ineffective portion of the hedge in other income (expense), net in the Consolidated Statements of Operations.

We enter into interest rate swaps to manage the variability in cash flow due to interest rate fluctuations. We evaluate hedge effectiveness at the inception of the hedge prospectively as well as retrospectively and record any ineffective portion of the hedge in other income (expense), net in our Consolidated Statements of

Operations. Changes in the fair value of interest rate swaps that have been designated as hedging instruments are recognized in accumulated other comprehensive income (loss).

Refer to [Note 12](#) of the Notes to Consolidated Financial Statements under Item 8 for further details on cash flow and balance sheet hedges.

Share-Based Compensation:

Under the fair value recognition provisions of the guidance, we recognize share-based compensation based on the grant date fair value of the award and recognize share-based compensation over the service period, which is usually the vesting period. 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 the 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. Through fiscal 2016, we estimated the expected forfeiture rate and only recognized the expense for those shares expected to vest. Beginning fiscal 2017, with the adoption of ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," we elected to recognize forfeitures as they occurred and adopted these changes using a modified retrospective approach, with a cumulative adjustment recorded to opening accumulative deficit. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future.

Employee Benefit Plans:

In connection with the merger with Spansion, 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 the 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 19](#) of the Notes to Consolidated Financial Statements for further details of the pension plans.

Accounting for Income Taxes:

A valuation allowance is established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of the deferred tax assets will not be realized. We regularly assess our valuation allowance against deferred tax assets on a jurisdiction by jurisdiction basis. We consider all available positive and negative evidence, including future reversals of temporary differences, projected future taxable income, tax planning strategies and recent financial results. During the fourth quarter of 2018, the Company emerged from a cumulative loss position over the previous three years. The cumulative three-year pre-tax income is considered positive evidence which is objective and verifiable and thus received significant weighting. The continued pattern of income before tax, recent global restructuring executed in fiscal 2018 and projected future operating income in the U.S. was additional positive evidence. As a result, the Company released \$343.3 million of the valuation allowance attributable to certain U.S. deferred tax assets during 2018.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in [Note 1](#) of the Notes to 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, and certificates of deposit. 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 market value of our portfolio.

Our debt obligations consist of a variety of financial instruments that expose us to interest rate risk, including, but not limited to our revolving credit facility, term loans and exchangeable notes. Interest on the exchangeable notes is fixed and interest on our term loans is at variable rates. The interest rate on the term loans is tied to short-term interest rate benchmarks including the prime rate and the London inter-bank offered rate, or LIBOR.

In December 2017, we entered into fixed-for-floating interest rate forward swap agreements with two counterparties, starting from April 2018, to swap variable interest payments on our debt for fixed interest payments. These agreements will expire in July 2021. The objective of the swap was to effectively fix the interest rate at current levels without having to refinance the outstanding term loan, thereby avoiding the incurrence of transaction costs. Under these arrangements, the interest rate on the variable debt became fixed in April 2018. On January 3, 2018, we evaluated the hedge effectiveness of the interest rate swaps and have designated these swaps as hedging instruments. Upon designation as hedge instruments, future changes in fair value of these swaps will be recognized in accumulated other comprehensive income (loss). As of December 30, 2018, these swaps were designated as hedging instruments. As of December 30, 2018, the aggregate notional amount of these interest rate swaps was \$300 million.

In October 2018, the Company entered into fixed-for-floating interest rate forward swap agreements starting in July 2021 with two counterparties to swap variable interest payments on expected future debt for fixed interest payments; these agreements will expire in December 2024. The objective of the swaps was to effectively fix the future interest rate at the level currently available to avoid the uncertainty in financing cost for a portion of debt due to future interest rate fluctuations. The aggregate notional amount of these interest rate swaps was \$300 million. The Company has evaluated the hedge effectiveness of the interest rate swaps and has designated these swaps as cash flow hedges of debt with future changes in fair value of these swaps recognized in accumulated other comprehensive income (loss).

A one hundred basis point change in the contractual interest rates would change our interest expense for the Revolving Credit Facility and Term Loan B by approximately \$1.8 million annually.

Our long-term operating results and cash flows may be materially affected to a significant degree by a sudden change in market interest rates.

Foreign Currency Exchange Risk

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

Example of our foreign currency transactions including:

- sales of our products to Japanese distributors 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, Philippine Peso and Malaysian Ringgit; 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 hedge a percentage of our forecasted revenue and expenses 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 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 12](#) of the Notes to Consolidated Financial Statements under [Item 8](#) for details on the contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED BALANCE SHEETS

| | December 30, 2018 | December 31, 2017 |
|--|--|----------------------------|
| ASSETS | (In thousands, except per-share amounts) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 285,720 | \$ 151,596 |
| Accounts receivable, net | 324,274 | 295,991 |
| Inventories | 292,093 | 272,127 |
| Assets held for sale | 13,510 | — |
| Other current assets | 101,163 | 103,637 |
| Total current assets | <u>1,016,760</u> | <u>823,351</u> |
| Property, plant and equipment, net | 282,986 | 289,554 |
| Goodwill | 1,373,750 | 1,439,472 |
| Intangible assets, net | 490,590 | 715,120 |
| Equity method investments | 65,145 | 122,514 |
| Deferred tax assets | 339,679 | 4,293 |
| Other long-term assets | 124,305 | 142,746 |
| Total assets | <u><u>3,693,215</u></u> | <u><u>3,537,050</u></u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | 210,715 | 213,101 |
| Accrued compensation and employee benefits | 61,994 | 79,275 |
| Price adjustments and other distributor related reserves | 163,088 | 173,592 |
| Dividends payable | 39,748 | 38,741 |
| Current portion of long-term debt | 6,943 | 27,303 |
| Other current liabilities | 138,064 | 143,485 |
| Total current liabilities | <u>620,552</u> | <u>675,497</u> |
| Income taxes payable | 53,469 | 52,006 |
| Credit facility and long-term debt | 874,235 | 956,513 |
| Other long-term liabilities | 27,920 | 35,442 |
| Total liabilities | <u>1,576,176</u> | <u>1,719,458</u> |
| Commitments and contingencies (Note 21) | — | — |
| Stockholder's 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; 537,327 and 525,719 shares issued; 361,452 and 352,220 shares outstanding at December 30, 2018 and December 31, 2017, respectively | 5,373 | 4,936 |
| Additional paid-in-capital | 5,636,099 | 5,659,612 |
| Accumulated other comprehensive income (loss) | 1,829 | (1,362) |
| Accumulated deficit | (1,157,115) | (1,511,706) |
| Stockholders' equity before treasury stock | 4,486,186 | 4,151,480 |
| Less: shares of common stock held in treasury, at cost; 175,875 and 173,499 shares at December 30, 2018 and December 31, 2017, respectively | (2,370,452) | (2,334,944) |
| Total Cypress stockholders' equity | <u>2,115,734</u> | <u>1,816,536</u> |
| Non-controlling interest | 1,305 | 1,056 |
| Total equity | <u>2,117,039</u> | <u>1,817,592</u> |
| Total liabilities and equity | <u><u>\$ 3,693,215</u></u> | <u><u>\$ 3,537,050</u></u> |

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended | | |
|--|--|----------------------|--------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands, except per-share amounts) | | |
| Revenues | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |
| Costs and expenses: | | | |
| Cost of revenues | 1,552,385 | 1,545,837 | 1,464,612 |
| Research and development | 363,996 | 362,931 | 347,131 |
| Selling, general and administrative | 403,031 | 340,910 | 720,103 |
| Total costs and expenses | 2,319,412 | 2,249,678 | 2,531,846 |
| Operating income (loss) | 164,428 | 78,093 | (608,738) |
| Interest expense | (65,327) | (80,215) | (55,192) |
| Other (expense) income, net | (2,518) | 4,268 | 313 |
| Income (loss) before income taxes and non-controlling interest | 96,583 | 2,146 | (663,617) |
| Income tax benefit (provision) | 315,618 | (11,157) | (2,616) |
| Share in net loss and impairment of equity method investees | (57,370) | (71,772) | (17,644) |
| Net income (loss) | 354,831 | (80,783) | (683,877) |
| Net (gain) loss attributable to non-controlling interest, net of taxes | (239) | (132) | 643 |
| Net income (loss) attributable to Cypress | \$ 354,592 | \$ (80,915) | \$ (683,234) |
| Net income (loss) per share attributable to Cypress: | | | |
| Basic | \$ 0.99 | \$ (0.24) | \$ (2.14) |
| Diluted | \$ 0.95 | \$ (0.24) | \$ (2.14) |
| Shares used in net income (loss) per share calculation: | | | |
| Basic | 359,324 | 333,451 | 319,522 |
| Diluted | 372,178 | 333,451 | 319,522 |

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Twelve Months Ended | | |
|--|----------------------|----------------------|---------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Net income (loss) | 354,831 | (80,783) | (683,877) |
| Other comprehensive income (loss): | | | |
| Net unrecognized gain on defined benefit plan | 3,456 | 324 | (1,214) |
| Net unrealized gain (loss) on cash flow hedges: | | | |
| Net unrealized gain (loss) arising during the period | (644) | 511 | (5,186) |
| Net (gain) loss reclassified into earnings for revenue hedges | (37) | (4,634) | 13,477 |
| Net (gain) loss reclassified into earnings for expense hedges | (335) | 10,586 | (15,661) |
| Net gain reclassified into earnings for interest rate hedges | (162) | — | — |
| Provision for income tax | 913 | 662 | — |
| Net unrealized gain (loss) on cash flow hedges | (265) | 7,125 | (7,370) |
| Other comprehensive income (loss) | 3,191 | 7,449 | (8,584) |
| Comprehensive income (loss) | 358,022 | (73,334) | (692,461) |
| Comprehensive income (loss) attributable to non-controlling interest | (239) | (132) | 643 |
| Comprehensive income (loss) attributable to Cypress | <u>\$ 357,783</u> | <u>\$ (73,466)</u> | <u>\$ (691,818)</u> |

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock | | Additional | Accumulated | Accumulated | Treasury Stock | | Non-controlling | Total |
|--|----------------|-----------------|---------------------|---|---------------------|----------------|-----------------------|-------------------|---------------------|
| | Shares | Amount | Paid-In Capital | Other Comprehensive Income (Loss) | Deficit | Shares | Amount | Interest | Equity |
| (in thousands, except share amounts) | | | | | | | | | |
| Balances at January 3, 2016 | 481,912 | \$ 4,637 | \$ 5,613,574 | \$ (227) | \$ (745,205) | 149,636 | \$ (2,148,193) | \$ (8,163) | \$ 2,716,423 |
| Net loss attributable to Cypress | — | — | — | — | (683,234) | — | — | — | (683,234) |
| Net unrealized loss on cash flow hedges | — | — | — | (7,344) | (2) | — | — | — | (7,346) |
| Unrealized loss on defined benefit pension plan | — | — | — | (1,240) | — | — | — | — | (1,240) |
| Changes in employee deferred compensation plan assets | — | — | — | — | — | — | (94) | — | (94) |
| Issuance of common shares under employee stock plans, net | 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 | — | — | 98,781 | — | — | — | — | — | 98,781 |
| Issuance of 4.5% 2022 Senior Exchangeable Notes | — | — | 47,686 | — | — | — | — | — | 47,686 |
| Purchase of capped calls related to 4.5% 2022 Senior Exchangeable Notes | — | — | (8,165) | — | — | — | — | — | (8,165) |
| Dividend | — | — | (140,398) | — | — | — | — | — | (140,398) |
| Deconsolidation of Deca | — | — | — | — | — | — | — | 6,838 | 6,838 |
| Non-controlling interest | — | — | — | — | — | — | — | 2,249 | 2,249 |
| Balances at January 1, 2017 | 497,055 | 4,737 | 5,659,644 | (8,811) | (1,428,441) | 173,472 | (2,335,301) | 924 | 1,892,752 |
| Net loss attributable to Cypress | — | — | — | — | (80,915) | — | — | — | (80,915) |
| Net unrealized loss on cash flow hedges | — | — | — | 7,125 | — | — | — | — | 7,125 |
| Unrealized gain on defined benefit pension plan | — | — | — | 324 | — | — | — | — | 324 |
| Changes in employee deferred compensation plan assets | — | — | — | — | — | — | 477 | — | 477 |
| Adoption of ASU 2016-09 | — | — | 2,350 | — | (2,350) | — | — | — | — |
| Issuance of common shares under employee stock plans, net | 11,316 | 26 | 47,245 | — | — | — | — | — | 47,271 |
| Issuance of common shares upon conversion of 2% 2020 Exchangeable Notes | 17,348 | 173 | 283,634 | — | — | 27 | — | — | 283,807 |
| Withholding of common shares for tax obligations on vested restricted shares | — | — | — | — | — | — | (120) | — | (120) |
| Stock-based compensation | — | — | 90,261 | — | — | — | — | — | 90,261 |
| Issuance of 2% 2023 Exchangeable Notes | — | — | 15,028 | — | — | — | — | — | 15,028 |
| Extinguishment of 2% 2020 Exchangeable Notes | — | — | (290,591) | — | — | — | — | — | (290,591) |
| Dividend | — | — | (147,959) | — | — | — | — | — | (147,959) |
| Non-controlling interest | — | — | — | — | — | — | — | 132 | 132 |

| | | | | | | | | | |
|---|-----------------------|------------------------|----------------------------|------------------------|------------------------------|-----------------------|------------------------------|------------------------|----------------------------|
| Balances at December 31, 2017 | <u>525,719</u> | <u>4,936</u> | <u>5,659,612</u> | <u>(1,362)</u> | <u>(1,511,706)</u> | <u>173,499</u> | <u>(2,334,944)</u> | <u>1,056</u> | <u>1,817,592</u> |
| Net income attributable to Cypress | — | — | — | — | 354,592 | — | — | — | 354,592 |
| Net unrealized loss on cash flow hedges and interest rate swaps | — | — | — | (265) | (1) | — | — | — | (266) |
| Unrealized gain on defined benefit pension plan | — | — | — | 3,456 | — | — | — | — | 3,456 |
| Changes in employee deferred compensation plan assets | — | — | — | — | — | — | 20 | — | 20 |
| Issuance of common shares under employee stock plans, net | 10,206 | 412 | 40,230 | — | — | 33 | (504) | — | 40,138 |
| Stock-based compensation | — | — | 95,173 | — | — | — | — | — | 95,173 |
| Issuance of common shares upon conversion of 2% 2020 Exchangeable Notes | 1,402 | 14 | 25,152 | — | — | — | — | — | 25,166 |
| Extinguishment of 2% 2020 Exchangeable Notes | — | — | (25,696) | — | — | — | — | — | (25,696) |
| Dividend | — | — | (158,372) | — | — | — | — | — | (158,372) |
| Repurchase of common shares | — | — | — | — | — | 2,093 | (31,681) | — | (31,681) |
| Yield enhancement structured agreements, net | — | — | — | — | — | 250 | (3,343) | — | (3,343) |
| Non-controlling interest | — | 11 | — | — | — | — | — | 249 | 260 |
| Balances at December 30, 2018 | <u>537,327</u> | <u>\$ 5,373</u> | <u>\$ 5,636,099</u> | <u>\$ 1,829</u> | <u>\$ (1,157,115)</u> | <u>175,875</u> | <u>\$ (2,370,452)</u> | <u>\$ 1,305</u> | <u>\$ 2,117,039</u> |

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

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended | | |
|---|----------------------|----------------------|--------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| (In thousands) | | | |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 354,831 | \$ (80,783) | \$ (683,877) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Stock-based compensation expenses | 95,965 | 91,581 | 98,513 |
| Depreciation and amortization | 282,985 | 264,905 | 265,922 |
| Impairment of acquisition-related intangible assets | — | — | 33,944 |
| Impairment of assets held for sale | 76,591 | — | 37,219 |
| Impairment of goodwill | — | — | 488,504 |
| Gain on divestitures | — | (1,245) | — |
| Gain related to investment in Deca Technologies | — | — | (112,774) |
| (Gain) loss on sale or retirement of property and equipment, net | 7,505 | (1,165) | 7,375 |
| Change in interest rate swaps | 2,848 | — | — |
| Share in net loss and impairment of equity method investees | 57,370 | 71,772 | 17,644 |
| Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt | 19,513 | 21,091 | 13,139 |
| Release of valuation allowance | (343,274) | — | — |
| Loss on trading securities | — | — | 598 |
| Loss on extinguishment of debt | 5,169 | 7,246 | — |
| Restructuring and other costs | 16,128 | 8,997 | 27,235 |
| Changes in operating assets and liabilities, net of effects of acquisitions and divestiture: | | | |
| Accounts receivable | (23,836) | 37,046 | (41,022) |
| Inventories | (20,757) | 14,327 | (33,677) |
| Asset held for sale | (13,510) | — | — |
| Other current and long-term assets | 5,379 | 9,629 | (12,225) |
| Price adjustments and other distributor related reserves | (14,487) | 19,067 | 100,389 |
| Accounts payable and other liabilities | (36,720) | (58,981) | 79,476 |
| Deferred margin on sales to distributors | — | — | (68,964) |
| Net cash provided by operating activities | 471,700 | 403,487 | 217,419 |
| Cash flows from investing activities: | | | |
| Acquisitions, net of cash acquired | (2,655) | — | (550,000) |
| Proceeds from maturities of available-for-sale investments | — | — | 40,000 |
| Proceeds from sales of available-for-sale investments | — | — | 45,904 |
| Purchases of available-for-sale securities | — | — | (80,202) |
| Net (contributions) distributions, net of distributions to deferred compensation plan | 2,541 | 2,562 | (1,857) |
| Acquisition of property, plant and equipment | (68,899) | (54,284) | (57,398) |
| Proceeds from sales of property and equipment | 5,769 | 2,340 | — |
| Investment in Deca Technologies Inc. | — | — | 17,627 |
| Cash paid for equity and cost method investments | — | (9,285) | (27,149) |
| Cash received on cost method investments | 18,538 | — | — |

CYPRESS SEMICONDUCTOR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

| | Year Ended | | |
|---|----------------------|----------------------|--------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Proceeds from divestitures | — | 45,500 | — |
| Other investing | (4,984) | (1,262) | (364) |
| Net cash used in investing activities | (49,690) | (14,429) | (613,439) |
| Cash flows from financing activities: | | | |
| Repurchase of common stock | (31,682) | — | (175,694) |
| Yield enhancement structured agreements settled in stock, net | (3,262) | — | — |
| Proceeds from employee stock-based awards | 40,661 | 47,153 | 43,850 |
| Payments of cash dividends | (157,364) | (144,749) | (141,410) |
| Purchase of capped calls | — | — | (8,165) |
| Repayment of equipment leases, loans and other | — | (112) | (11,061) |
| Borrowings under senior secured revolving credit facility | 94,000 | 190,000 | 195,000 |
| Borrowings under Term Loans | — | 91,250 | 450,000 |
| Repayments of senior secured revolving credit facility | (184,000) | (432,000) | (312,000) |
| Repayment of Term Loans | (35,614) | (118,701) | (10,625) |
| Financing costs related to debt | (625) | (12,475) | (27,893) |
| Payment for extinguishment of 2% 2020 Exchangeable Notes | (10,000) | (128,000) | — |
| Proceeds from issuance of Exchangeable Notes | — | 150,000 | 287,500 |
| Net cash provided by (used in) financing activities | (287,886) | (357,634) | 289,502 |
| Net increase (decrease) in cash and cash equivalents | 134,124 | 31,424 | (106,518) |
| Cash and cash equivalents, beginning of year | 151,596 | 120,172 | 226,690 |
| Cash and cash equivalents, end of year | 285,720 | 151,596 | 120,172 |
| Supplemental disclosures: | | | |
| Dividends payable | \$ 39,748 | \$ 38,741 | \$ 35,506 |
| Cash paid for income taxes, net | 9,080 | 6,576 | 8,288 |
| Cash paid for interest | 39,504 | 53,131 | 32,625 |
| Unpaid purchases of property, plant and equipment | 5,875 | 14,291 | 3,960 |

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

CYPRESS SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Description of Business

Cypress Semiconductor Corporation (together with its consolidated subsidiaries, "Cypress" or the "Company") manufactures and sells advanced embedded system solutions for automotive, industrial, consumer and enterprise end markets. Cypress' microcontroller, analog integrated circuits ("ICs"), wireless and wired connectivity solutions and memories help engineers design differentiated products and help them with speed to market. Cypress is committed to providing customers with support and engineering resources.

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

On July 29, 2016, Deca Technologies Inc. ("Deca"), a majority-owned subsidiary of the Company, entered into a share purchase agreement, whereby certain third-party investors purchased 41.1% of the shares outstanding on such date for an aggregate consideration of approximately \$111.4 million. Concurrently, Deca repurchased certain of its preferred shares from the Company. As a result of these transactions, the Company began accounting for Deca as an equity-method investment effective July 29, 2016.

During the third quarter of fiscal 2017, the Company completed the sale of its wafer fabrication facility in Minnesota for gross proceeds of \$30.5 million.

On August 14, 2018, the Company acquired an embedded software company focused on the Internet of Things (or "IoT") market for cash consideration of \$3.0 million. The purchase consideration was allocated to acquired developed technology.

On October 23, 2018, the Company agreed to transfer its NAND business to a joint venture ("JV") with SK hynix systems ic Inc ("SKHS"). The transaction is subject to customary closing conditions and regulatory approvals. The Company presently expects that the transaction will be completed in the first quarter of fiscal 2019. In addition to our NAND flash business, the Company will contribute \$2.4 million in cash towards the equity of the JV. The Company will own 40% of the JV's common stock.

The comparability of results for the periods presented is significantly impacted by these transactions.

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 2018 ended on December 30, 2018, fiscal 2017 ended on December 31, 2017 and fiscal 2016 ended on January 1, 2017. Fiscal years 2018, 2017 and 2016 each contained 52 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 intercompany transactions and balances have been eliminated in consolidation.

Certain balances included on the Consolidated Balance Sheets and in the Consolidated Statements of Cash Flows for prior periods have been reclassified to conform to the current period presentation. Beginning fiscal year 2018, the Company allocated the amortization of acquisition-related intangible assets, restructuring costs and certain other expenses by function in the Consolidated Statements of Operations. The Consolidated Statements of Operations for the prior comparative periods have been reclassified to conform to the current period presentation as follows:

Year Ended December 31, 2017

| | As Previously Reported | Reclassification | As Adjusted |
|--|-----------------------------------|-------------------------|--------------------|
| | (In thousands) | | |
| Cost of revenues | \$ 1,370,309 | \$ 175,528 | \$ 1,545,837 |
| Research and development | 357,016 | 5,915 | 362,931 |
| Selling, general and administrative | 303,651 | 37,259 | 340,910 |
| Amortization of intangible assets | 195,304 | (195,304) | — |
| Costs and settlement charges related to shareholder matter | 14,310 | (14,310) | — |
| Restructuring costs | 9,088 | (9,088) | — |
| Operating income | \$ 78,093 | \$ — | \$ 78,093 |

Year Ended January 1, 2017

| | As Previously Reported | Reclassification | As Adjusted |
|---|-----------------------------------|-------------------------|--------------------|
| | (In thousands) | | |
| Cost of revenues | \$ 1,235,540 | \$ 229,072 | \$ 1,464,612 |
| Research and development | 331,175 | 15,956 | 347,131 |
| Selling, general and administrative | 317,362 | 402,741 | 720,103 |
| Amortization of intangible assets | 174,745 | (174,745) | — |
| Restructuring costs | 26,131 | (26,131) | — |
| Impairment of acquisition-related intangible assets | 33,944 | (33,944) | — |
| Goodwill impairment charge | 488,504 | (488,504) | — |
| Gain related to investment in Deca Technologies | (112,774) | 112,774 | — |
| Impairment related to asset held for sale | 37,219 | (37,219) | — |
| Operating loss | \$ (608,738) | \$ — | \$ (608,738) |

Cash Equivalents and Investments

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash in the bank, cash equivalents, debt investments, foreign exchange hedges, interest rate swap obligations, trade accounts receivable and the capped calls. The Company's investment policy requires cash investments to be placed with high-credit quality institutions and limits the amount of credit exposure with 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 mitigates its exposure to credit risk to the extent that its counterparties for hedging transactions may be unable to meet the terms of the transactions. The Company mitigates this risk by diversifying and limiting its counterparties to major financial institutions.

Outstanding accounts receivable from one of the Company's distributors accounted for 25% and 28% of the consolidated accounts receivable as of December 30, 2018 and December 31, 2017, respectively.

Revenue generated through two of the Company's distributors, accounted for 18% and 14%, respectively, of Company's consolidated revenues for fiscal 2018.

Revenue generated through two of the Company's distributors, accounted for 20% and 13%, respectively, of the consolidated revenues for fiscal 2017.

Revenue generated through one of the Company's distributors, accounted for 23% of the consolidated revenues for fiscal 2016.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or 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.

Long-Lived Assets

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. 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.

Assets Held for Sale

The Company considers assets to be held for sale when management approves and commits to a plan to dispose of an asset or group of assets. Assets held for sale are recorded initially at the lower of carrying value or estimated fair value, less estimated costs to sell. Upon designation as an asset held for sale, the Company stops recording depreciation and amortization expense on such assets. 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 are presented separately in the appropriate asset and liability sections of the balance sheet. See [Note 6](#) of the Notes to Consolidated Financial Statements for more information.

Goodwill and Other Intangible Assets

Goodwill and other 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 the fiscal year and if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim

basis. The Company first considers qualitative factors to determine whether it is necessary to perform further assessment of goodwill impairment. If the Company 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 amount, the quantitative impairment test is required. Otherwise, no further testing is required. See [Note 4](#) of the Notes to 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 5](#) of the Notes to 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.

Convertible debt

In accounting for each series of Senior Exchangeable Notes (as described in Note 15) at issuance, the Company separated the 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.

The fair value of debt immediately prior to its derecognition is calculated based on the remaining expected life of the debt instrument and an updated current non-convertible debt rate assumption. The gain or loss on extinguishment equaling the difference between the calculated fair value of the debt immediately prior to its derecognition and the carrying amount of the debt components, including the remaining unamortized debt discount, is recorded in the Consolidated Statements of Operations. The remainder of the consideration relates to the reacquisition of the equity component and as an adjustment to additional paid-in-capital.

In accounting for the cost of the capped call transaction entered in connection with the issuance of the 4.5% 2022 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 15](#) of the Notes to Consolidated Financial Statements for more information.

Revenue Recognition

The Company recognizes revenues when the Company transfers control of promised goods or services to the customer in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. See [Note 2](#) for further discussion on Revenues.

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 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 19](#) of the Notes to Consolidated Financial Statements for further details of the pension plans.

Investments in equity interests

Investments in the stock of entities in which the Company exercises significant influence but does not own a majority equity interest or otherwise control are accounted for using the equity method and are included as equity method investments in its consolidated balance sheets. The Company records its share of the results of those companies within share in net loss and impairment of equity method investees in its Consolidated Statements of Operations. Investments in privately held equity interests in which the Company does not exercise significant influence are equity securities without readily determinable fair values. The Company has elected to account for these investments using the measurement method of accounting (that is, cost less impairment adjusted for observable price changes). These investments are included in other long-term assets on the Consolidated Balance Sheets.

The Company reviews its investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the entities including current earnings trends and forecasted cash flows, and other company and industry specific information.

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 8](#) of the Notes to Consolidated Financial Statements for a detailed discussion of fair value measurements.

Cash Flow Hedges

The Company has an on-going cash flow hedge program and enters into cash flow hedges to protect non-functional currency revenue, inventory purchases and certain operating expenses from foreign currency fluctuation and interest rate variability. 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 generally have tenors between three and thirteen months while interest rate swaps have a tenor of several years. 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. Beginning the second quarter of 2018, the Company entered into foreign exchange cash flow hedges, in which interest charges or "forward points" on the forward contracts are included in the assessment of hedge effectiveness, and are recorded in the underlying hedged items 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 (expense) income, 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 (expense) income, net in its Consolidated Statements of Operations.

See [Note 12](#) of the Notes to Consolidated Financial Statements for further details of the contracts.

Shipping and Handling Costs

The Company records costs related to shipping and handling of products 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 \$5.9 million, \$3.2 million and \$3.1 million for fiscal years 2018, 2017 and 2016, respectively.

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.

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income ("GILTI") provisions of the Tax Cuts and Jobs Act (the "Act"). The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The GILTI provision is effective for the Company beginning after December 31, 2017. Companies are permitted to make an accounting policy election to either (i) account for GILTI as a component of tax expense in the period in which the tax is incurred (the "period cost method"), or (ii) account for GILTI in the Company's measurement of deferred taxes (the "deferred method"). The Company has elected to treat taxes on GILTI as period costs similar to special deductions and period expenses.

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. See [Note 14](#) of the Notes to Consolidated Financial Statements for further details on the impact of foreign currency re-measurement.

Net income (loss) per share

Basic net income (loss) per share is calculated by dividing net income (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 (if any), 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 (if any) and any unamortized compensation expenses), and exchangeable notes, using the treasury stock method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, "Leases (Topic 842)," which replaces most current lease guidance when it becomes effective. The new standard states that a lessee will recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Consolidated Statements of Operations. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements," which provides clarifications and improvements to ASU 2016-02 including allowing entities to elect an additional transition method that permits changes to be applied by means of a cumulative-effect adjustment recorded in retained earnings as of the beginning of the fiscal year of adoption. Consequently, an entity's reporting for the comparative periods presented in the year of adoption would continue to be in accordance with ASC 840, Leases (Topic 840) ("ASC 840"), including the disclosure requirements of ASC 840. The new guidance will be effective for the Company starting in the first quarter of fiscal 2019.

The Company developed and executed a comprehensive project plan to facilitate the implementation of ASU 2016-02, including reaching out to the Company's global businesses to assess the portfolio of active leases. The Company has also implemented a lease accounting software solution to support the new reporting requirements.

The Company does not expect to restate comparative periods, as permitted by ASU 2018-11 and to elect the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Company to carry forward the historical lease classification. Further, the Company will make an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. The Company will recognize those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term.

The Company has completed its preliminary evaluation of the impact the new lease accounting guidance will have on its Consolidated Financial Statements and expects to recognize new right of use assets and lease liabilities of approximately \$25 million to \$45 million for its operating leases on the Consolidated Balance Sheet upon adoption. Lease assets and liabilities under existing capital leases as of December 31, 2018, will continue to be recognized on the balance sheet as Finance leases under ASC 842. The Company does not expect the changes to have a material impact on the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. Further, upon adoption, the Company will expand its financial statement disclosures to present additional details of its leasing arrangements.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." The amendments in ASU 2017-12 are intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The guidance in ASU 2017-12 is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company does not anticipate that the adoption of this standard will have a significant impact on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The amendments in ASU 2018-02 are intended to allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The guidance in ASU 2018-02 is effective for annual periods beginning after December 15, 2018 and for interim periods within those fiscal years, with early adoption permitted. The Company does not anticipate that the adoption of this standard will have a significant impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." The standard expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both nonemployees and employees. Under the amended guidance, equity-classified share-based payment awards issued to nonemployees will be measured at grant date fair value. Upon transition, the entity is

required to remeasure these nonemployee awards at fair value as of the adoption date. The improvement is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company does not anticipate that the adoption of this standard will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The standard modifies the disclosure requirements on fair value measurements in Topic 820 by removing the requirement to disclose the reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The standard expands the disclosure requirements for Level 3 fair value measurement, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The amendment is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." It is designed to improve the effectiveness of disclosures by removing and adding disclosures related to defined benefit plans. The update is effective for fiscal years ending after December 15, 2020 with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

Adoption of ASU No. 2014-09, Revenue from Contracts with Customers:

In May 2014, the FASB issued an ASU on revenue from contracts with customers, ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This standard update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance is effective for annual reporting periods beginning after December 15, 2017 and for interim periods within those fiscal years. Collectively, we refer to ASU No. 2014-09, its related amendments, and Subtopic 340-40 as "Topic 606."

On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application (i.e., January 1, 2018). Results for reporting periods after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 605. There was no impact on the opening accumulated deficit as of January 1, 2018 due to the adoption of Topic 606. The Company reclassified the sales return reserve to current liabilities presented as "Price adjustment and other revenue reserves" from the allowance for accounts receivable due to the adoption of Topic 606. See Note 2 for further detail.

Other Recently Adopted Pronouncements:

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. The Company adopted this guidance in the first quarter of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash," which requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 (including interim periods within those periods) using a retrospective transition method to each period presented. The Company adopted the provisions of ASU 2016-18 as of January 1, 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The standard eliminates the second step in the goodwill impairment test which requires an entity to determine the implied fair value of the reporting unit's goodwill. Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair

value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. The standard is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance in the first quarter of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-03, "Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The corrections and improvements are effective for the Company for fiscal years beginning after December 15, 2017 and for interim periods within those fiscal years beginning after June 15, 2018. The Company adopted this guidance in the third quarter of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." ASU 2017-09 amends the requirements in GAAP related to accounting for changes to stock-based compensation awards. The guidance in ASU 2017-09 is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted this guidance in the first quarter of fiscal 2018. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

NOTE 2. REVENUE

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Sales of products with alternative use account for the majority of the Company's revenue and are recognized at a point in time.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and that are collected by the Company from a customer and deposited with the relevant government authority are excluded from revenue. The Company's revenue arrangements do not contain significant financing components.

Revenue is recognized over a period of time when it is assessed that performance obligations are satisfied over a period rather than at a point in time. When any of the following criteria is fulfilled, revenue is recognized over a period of time:

- (a) The customer simultaneously receives and consumes the benefits provided by the performance as Cypress performs.
- (b) Cypress' performance creates or enhances an asset (for example, work in process) that the customer controls as the asset is created or enhanced.
- (c) Cypress' performance does not create an asset with an alternative use, and Cypress has an enforceable right to payment for performance completed to date.

The Company then selects an appropriate method for measuring progress toward complete satisfaction of the performance obligation, usually costs incurred to date relative to the total expected costs to the satisfaction of that performance obligation.

Sales to certain distributors are made under arrangements that provide the distributors with price adjustments, price protection, stock rotation and other allowances under certain circumstances. These adjustments and allowances are accounted for as variable consideration. The Company estimates these amounts based on the expected amount to be provided to customers and reduce revenue recognized. The Company believes that there will not be significant changes to its estimates of variable consideration.

The Company's non-recurring engineering ("NRE") contracts with customers may include multiple performance obligations. For NRE arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines the standalone selling price of intellectual

property licenses based on the residual approach, and service based on cost plus a reasonable margin. The Company recognizes revenue in the amount to which it has a right to invoice, if the right to consideration from the customer is in an amount that corresponds reasonably with the value to the customer of the entity's performance completed to date.

The Company licenses or sells rights to use portions of the Company's intellectual property ("IP") portfolio, which includes certain patent rights useful in the manufacture and sales of certain products. IP revenue recognition is dependent on the nature and terms of each agreement. The Company recognizes IP revenue upon delivery of the IP if the Company has no substantive future obligation to perform under the arrangement. The Company defers recognition of IP revenue where future performance obligations are required to earn the revenue or the revenue is not guaranteed. Sales-based or usage-based royalties from license of the Company's IP are recognized at the later of the period the sales or usages occur or the satisfaction of the performance obligation to which some or all of the sales-based or usage-based royalties have been allocated.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional before the Company transfers a good or service to the customer, those amounts are classified as deferred income/ advances received from customers which are included in other current liabilities or other long-term liabilities when the payment is made or it is due, whichever is earlier.

If the arrangement includes variable contingent consideration, the Company recognizes revenue over time if management can reasonably measure its progress or is capable of providing reliable information as required to apply an appropriate method of measuring progress.

The following table presents the Company's revenue disaggregated by segment, end market, revenue type and geographical locations:

| | For The Year Ended | | |
|---|--------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Microcontroller and Connectivity Division ("MCD") | \$ 1,474,442 | \$ 1,409,265 | \$ 994,482 |
| Memory Products Division ("MPD") | 1,009,398 | 918,506 | 928,626 |
| Total revenues | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |

| | For The Year Ended | | |
|------------|--------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| Industrial | 479,091 | 430,976 | 453,887 |
| Automotive | 815,413 | 720,659 | 625,327 |
| Consumer | 721,402 | 742,372 | 557,302 |
| Enterprise | 467,934 | 433,764 | 286,592 |
| Total | 2,483,840 | 2,327,771 | 1,923,108 |

| | For The Year Ended | | |
|-------------------------|--------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| Product revenue | \$ 2,439,373 | \$ 2,239,056 | \$ 1,828,061 |
| Non-product revenue (1) | 44,467 | 88,715 | 95,047 |
| Total revenue | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |

(1) Non-product revenue primarily includes royalty, NRE, and patent revenues.

| | For The Year Ended | | |
|---|---------------------|---------------------|---------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Goods/Services transferred at a point in time | \$ 2,470,270 | \$ 2,282,200 | \$ 1,887,463 |
| Goods/Services transferred over time | 13,570 | 45,571 | 35,645 |
| Total revenue | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |

| | For The Year Ended | | |
|------------------------------|---------------------|---------------------|---------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| United States | \$ 253,420 | \$ 220,128 | \$ 199,294 |
| China, Taiwan, and Hong Kong | 972,869 | 980,670 | 819,200 |
| Japan | 589,818 | 515,622 | 420,869 |
| Europe | 329,436 | 291,948 | 255,604 |
| Rest of the World | 338,297 | 319,403 | 228,141 |
| Total revenue | \$ 2,483,840 | \$ 2,327,771 | \$ 1,923,108 |

Practical Expedients and Elections

Sales commissions are owed and are recorded at the time of sell-through of our products to end customers. These costs are recorded within sales and marketing expenses.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

The Company has elected to account for shipping and handling costs as fulfillment costs after the customer obtains control of the goods.

NOTE 3. MERGERS, ACQUISITIONS AND DIVESTITURES

Joint Venture with SK hynix

On October 23, 2018, the Company entered into a definitive agreement with SKHS (a wholly owned subsidiary of SK Hynix) to form a JV entity to be headquartered in Hong Kong. The transaction is expected to close in the second quarter of fiscal 2019. The Company will contribute \$2.4 million in cash and transfer its NAND business to the JV entity. The Company will own 40% of the JV entity's common stock. The NAND business is presently reported as part of the MPD segment. The Company recognized \$167.3 million, \$168.1 million and \$180.5 million in revenue from the NAND business for the years ended December 30, 2018, December 31, 2017 and January 1, 2017, respectively.

Acquisition of a software business

On August 14, 2018, the Company acquired an embedded software company focused on the Internet of things market for cash consideration of \$3 million. The purchased assets were primarily developed technology. Pro forma results of operations of this acquired company are not presented because the effect of the acquisition was not material.

Acquisition of IoT Business

On July 5, 2016, the Company completed its acquisition of certain assets primarily related to the wireless IoT business of Broadcom Corporation 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 the business acquired as part of this acquisition are reported in the Company's Microcontroller and Connectivity Division.

The acquisition was accounted for using the purchase method of accounting. Approximately \$9.2 million in expenses were incurred as acquisition expenses related to the wireless IoT business and were recorded in the Selling, general and administrative line item in the Consolidated Statements of Operations.

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

| | <u>Final allocation as of January 1, 2017</u> |
|-----------------------------------|---|
| Intangible assets | \$ 324,000 |
| Property, plant and equipment | 16,270 |
| Inventories | 11,655 |
| Other current assets | 6,550 |
| Other long-term assets | 4,203 |
| Goodwill | 189,094 |
| Total assets acquired | <u>\$ 551,772</u> |
| Other current liabilities | (1,199) |
| Other long-term liabilities | (573) |
| Total liabilities assumed | <u>(1,772)</u> |
| Fair value of net assets acquired | <u>\$ 550,000</u> |

The purchase price was allocated based on the estimated net tangible and intangible assets of the wireless 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:

| | <u>Amount</u> <u>(in thousands)</u> | <u>Estimated life</u> <u>(in years)</u> |
|--|--|--|
| Existing Technology | \$ 189,300 | 4 |
| In-Process Research and Development Technology Arrangement | 88,900 | N/A |
| Backlog | 13,500 | <1 |
| Customer Relationships | 20,000 | 10 |
| License Agreements | 3,700 | 1 |
| Trademarks | 8,600 | 4 |
| Total intangible assets | <u>\$ 324,000</u> | |

In-process research and development ("IPR&D") consisted of six projects. All projects reached technological feasibility and were transferred to developed technology by the end of fiscal 2018. The related intangible assets are amortized over their useful lives which were 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 deductible for tax purposes.

Pro forma consolidated results of operations

The following unaudited pro forma financial data for the year ended January 1, 2017 assumes that the acquisitions of the wireless IoT business from Broadcom had occurred at the beginning of fiscal year 2017. 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.

| | Year Ended | |
|--|---|-----------|
| | January 1, 2017 | |
| | (In thousands, except per-share amounts) | |
| Revenues | \$ | 2,018,124 |
| Net loss | \$ | (722,342) |
| Net loss per share attributable to Cypress | | |
| Basic | \$ | (2.26) |
| Diluted | \$ | (2.26) |

NOTE 4. GOODWILL

Allocation of Goodwill to NAND business

As a result of entering into a definitive agreement to divest its NAND business during the fourth quarter of fiscal 2018, the Company allocated \$65.7 million of goodwill previously recorded in the MPD segment to asset held for sale. The allocation was based on the relative estimated enterprise value of the NAND business and that of the MPD business without the NAND business. See [Note 6](#) of the Notes to Consolidated Financial Statements.

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. The Company's impairment review process compares the fair value of the reporting unit in which the goodwill resides to the respective reporting unit's carrying value.

In fiscal 2018 and 2017, the annual evaluation of the goodwill by reporting unit was performed during the fourth quarter of the fiscal year. In assessing the qualitative factors, the Company considered the impact of these key factors: 1) change in the industry and competitive environment, 2) market capitalization, 3) stock price and 4) overall financial performance. Material adverse changes in such conditions could have the effect of changing one of the critical assumptions or estimates the Company uses to calculate the fair value of its reporting units, which could result in a decrease in fair value and require it to record goodwill impairment charges. Based on the qualitative assessment described above, the Company concluded there was no impairment in carrying value of goodwill during fiscal 2018.

In fiscal 2016, the Company recorded an impairment charge of \$488.5 million for the excess of the carrying value of goodwill over its implied fair value. The impairment was related to the legacy PSD reporting unit which was part of the MCD reportable segment.

Goodwill as of December 30, 2018 was \$1.4 billion, of which \$782.9 million and \$590.9 million was allocated to Microcontroller & Connectivity Division ("MCD") and Memory Products Division ("MPD") respectively. Goodwill as of

December 31, 2017 was \$1.4 billion, of which \$782.9 million and \$656.6 million was allocated to MCD and MPD, respectively.

NOTE 5. INTANGIBLE ASSETS

The following table presents details of the Company's total intangible assets:

| | As of December 30, 2018 | | | As of December 31, 2017 | | |
|---|-------------------------|--------------------------|-------------------|-------------------------|--------------------------|-------------------|
| | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net (a) |
| (In thousands) | | | | | | |
| Developed technology and other intangible assets | | | | | | |
| Acquisition-related intangible assets | \$ 1,188,521 | \$ (702,883) | \$ 485,638 | \$ 1,072,824 | \$ (490,327) | \$ 582,497 |
| Non-acquisition related intangible assets | 19,884 | (14,932) | 4,952 | 19,884 | (10,828) | 9,056 |
| Total developed technology and other intangible assets | \$ 1,208,405 | \$ (717,815) | 490,590 | \$ 1,092,708 | \$ (501,155) | \$ 591,553 |
| In-process research and development | | | | | | |
| | — | — | — | 123,567 | — | 123,567 |
| Total intangible assets | <u>\$ 1,208,405</u> | <u>\$ (717,815)</u> | <u>\$ 490,590</u> | <u>\$ 1,216,275</u> | <u>\$ (501,155)</u> | <u>\$ 715,120</u> |

The below table presents details of the IPR&D assets as of December 30, 2018:

| | (in thousands) |
|------------------------------------|----------------|
| As of January 1, 2017 | \$ 175,203 |
| Technological feasibility achieved | (51,636) |
| As of December 31, 2017 | 123,567 |
| Technological feasibility achieved | (123,567) |
| As of December 30, 2018 | <u>\$ —</u> |

During fiscal 2018, five projects representing \$123.6 million of the total capitalized IPR&D, with estimated useful lives of 4 - 5 years, reached technological feasibility and were transferred to developed technology.

During fiscal 2017, five projects representing \$51.6 million of the total capitalized IPR&D, with estimated useful lives of 5 years, reached technological feasibility and were transferred to developed technology.

As a result of entering into a definitive agreement to divest its NAND business during the fourth quarter of fiscal 2018, the Company classified \$10.9 million of intangible assets attributable to the NAND business as assets held for sale. See [Note 6](#) of the Notes to Consolidated Financial Statements.

As of December 30, 2018, the estimated future amortization expense related to developed technology and other intangible assets was as follows:

| Fiscal Year | (In thousands) |
|-----------------------------------|-------------------|
| 2019 | \$ 207,408 |
| 2020 | 153,709 |
| 2021 | 58,468 |
| 2022 | 33,001 |
| 2023 | 28,334 |
| Thereafter | 9,670 |
| Total future amortization expense | <u>\$ 490,590</u> |

NOTE 6. ASSETS HELD FOR SALE

Sale of NAND business

The Company allocated \$65.7 million of goodwill previously recorded in the MPD segment to the NAND business being divested. The allocation was based on the relative estimated enterprise value of the NAND business and that of the MPD business. The intangible assets attributable to the NAND business acquired as part of a previous acquisition were \$10.9 million and the inventories for the NAND business were \$13.5 million as of the end of fiscal 2018. The allocated goodwill, intangible assets and inventories were classified as held for sale during the fourth quarter of 2018 upon the execution of the NAND Definitive Agreement. The agreement does not contemplate any transfers of patents or other intellectual property from Cypress to the J.V. Depreciation and amortization expense corresponding to the assets classified as held for sale ceased at that time. This divestiture was not presented as discontinued operations in the consolidated statements of operations, because this transaction does not represent a strategic shift in the Company's business.

The transaction with SKHS is expected to close by the end of the first quarter of fiscal 2019, upon receipt of necessary regulatory approvals and satisfaction of closing conditions. As of the end of fiscal 2018, the Company evaluated the recoverability of the carrying value of its assets held for sale related to the NAND Definitive Agreement. Given the proximity of the anticipated closing of the transaction to the end of fiscal 2018, the Company has considered the value expected to be realized from the JV as the part of this recoverability assessment and concluded that the Company is not expected to recover the carrying value of goodwill and intangible assets. Accordingly, the Company recorded an impairment charge of \$76.6 million during fiscal 2018.

The aggregate value of the remaining assets recorded as held for sale at the end of fiscal year 2018 was \$13.5 million.

Sale of manufacturing facility located in Minnesota

In 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 at the end of fiscal 2016 reflected the lower of the 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.

The sales of the wafer fabrication facility in Minnesota and the sale of the building in Austin were completed during the first quarter of fiscal 2017. During the year ended December 31, 2017, the Company recorded a gain of \$1.2 million resulting from the change in the estimated costs to sell these assets. This gain was recorded in the selling, general and administrative line item of the Consolidated Statements of Operations. The Company completed the sale of both of these asset groups during the year ended December 31, 2017 and received gross proceeds from the sales of \$35.5 million.

NOTE 7. 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 below table presents the changes in the carrying value of the equity method investments.

| | As of December 30, 2018 | | |
|---|---------------------------------|-------------------------------|------------------|
| | (In thousands) | | |
| | Deca Technologies Inc. ("Deca") | Enovix Corporation ("Enovix") | Total |
| Carrying value as of January 1, 2017 | \$ 134,327 | \$ 54,360 | \$ 188,687 |
| Additional investment | — | 5,600 | 5,600 |
| Equity in net loss of equity method investees | (11,813) | (8,773) | (20,586) |
| Impairment of investment | — | (51,187) | (51,187) |
| Carrying value as of December 31, 2017 | 122,514 | — | 122,514 |
| Equity in net loss of equity method investees | (15,849) | — | (15,849) |
| Impairment of investment | (41,520) | — | (41,520) |
| Carrying value as of December 30, 2018 | <u>\$ 65,145</u> | <u>\$ —</u> | <u>\$ 65,145</u> |

The following table presents summarized aggregate financial information derived from the respective consolidated financial statements of Deca for the year ended December 30, 2018 and of Deca and Enovix for the year ended December 31, 2017.

| | Year Ended | |
|----------------------------------|-------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (in thousands) | |
| Operating data: | | |
| Revenue | \$ 18,562 | \$ 15,500 |
| Gross loss | (11,605) | (8,964) |
| Loss from operations | (29,619) | (44,415) |
| Net loss | (30,212) | (43,589) |
| Net loss attributable to Cypress | \$ (15,849) | \$ (20,586) |

The following table represents the assets and liabilities held by Deca as of December 30, 2018, and by Deca and Enovix as of December 31, 2017.

| | For the Year Ended | |
|-----------------------|--------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (in thousands) | |
| Balance Sheet Data: | | |
| Current Assets | \$ 25,865 | \$ 70,101 |
| Long-term Assets | \$ 51,176 | \$ 55,673 |
| Current Liabilities | \$ 9,635 | \$ 15,615 |
| Long-term Liabilities | \$ 877 | \$ 1,859 |

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, 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 on such 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 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.

During the fourth quarter of fiscal 2018, the Company determined that its investment in Deca, which is accounted for as an equity method investment, was other-than temporarily impaired due to failure to achieve significant product development and testing milestones. The Company estimated the fair value of Deca using the income approach. The income approach considers a number of factors that include, but are not limited to, forecasted financial information, growth rates, terminal or residual values and discount rates and require the Company to make certain assumptions and estimates regarding industry economic factors and the future profitability of the business. As a result, the Company recorded a charge of \$41.5 million in order to write down the carrying amount of the investment to the estimated fair value as of the end of fiscal 2018. This write down was recorded in "Share in net loss and impairment of equity method investees" in the Consolidated Statements of Operations.

The Company held 52.5% of Deca's outstanding voting shares as of December 30, 2018 and December 31, 2017.

Enovix Corporation

In 2017, the Company completed its investment commitment in Enovix of \$85.1 million per the original agreement dated February 22, 2012. Certain third-party investors made additional investments in Enovix in 2018, as a result of which the Company's ownership in Enovix decreased from 41.2% as of December 31, 2017 to 24.8% as of December 30, 2018.

During the fourth quarter of fiscal 2017, the Company determined that its investment in Enovix, which is accounted for as an equity method investment, was other-than temporarily impaired as it did not achieve certain key planned product development milestones. The Company considered various factors in determining whether to recognize an impairment charge, including the expectations of the investee's future cash flows and capital needs, the length of time the investee has been in a loss position, the ability to achieve milestones, and the near-term prospect of the investee and its exit strategy. Enovix's estimated enterprise value is sensitive to its ability to achieve these milestones. Consequently, the Company recognized a charge of \$51.2 million in order to write down the carrying amount of the investment to zero. This amount was recorded in "Share in net loss and impairment of equity method investees" in the Consolidated Statements of Operations.

NOTE 8. FAIR VALUE MEASUREMENTS

Assets and 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 December 30, 2018 and December 31, 2017:

| | As of December 30, 2018 | | | As of December 31, 2017 | | |
|---|-------------------------|-----------|------------|-------------------------|----------|-----------|
| | Level 1 | Level 2 | Total | Level 1 | Level 2 | Total |
| (In thousands) | | | | | | |
| Financial Assets | | | | | | |
| Cash equivalents: | | | | | | |
| Money market funds | \$ 171,777 | \$ — | \$ 171,777 | \$ 20,477 | \$ — | \$ 20,477 |
| Other current assets: | | | | | | |
| Certificates of deposit | — | 870 | 870 | — | 972 | 972 |
| Total cash equivalents and other current assets | 171,777 | 870 | 172,647 | 20,477 | 972 | 21,449 |
| Employee deferred compensation plan assets | 18,648 | 25,749 | 44,397 | 47,291 | 2,204 | 49,495 |
| Interest rate swaps | — | 2,548 | 2,548 | — | — | — |
| Foreign exchange forward contracts | — | 2,362 | 2,362 | — | 1,197 | 1,197 |
| Total financial assets | \$ 190,425 | \$ 31,529 | \$ 221,954 | \$ 67,768 | \$ 4,373 | \$ 72,141 |
| Financial Liabilities | | | | | | |
| Foreign exchange forward contracts | — | 1,621 | 1,621 | — | 1,426 | 1,426 |
| Interest rate swaps | — | 4,051 | 4,051 | — | — | — |
| Total financial liabilities | \$ — | \$ 5,672 | \$ 5,672 | \$ — | \$ 1,426 | \$ 1,426 |

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. The Company's financial assets and financial liabilities that require recognition under the guidance generally include employee deferred compensation plans and foreign currency derivatives. The guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable 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 the Company. Unobservable inputs are inputs that reflect the Company's 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 money market funds, marketable equity securities and certain employee deferred compensation plan assets.
- Level 2—includes instruments for which the valuations are based on the quoted market price for similar instruments or nonbinding market prices that are corroborated by observable market data. The Company's Level 2 instruments include certain U.S. government securities, commercial paper, corporate notes and bonds, certificates of deposit, and deferred compensation plan life insurance assets. The Company determines the fair values of such instruments by using inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, custody bank, third-party pricing vendors, or other sources. Derivative hedging contracts are classified as

Level 2 because the valuation inputs are based on observable market data of similar instruments. The Company principally executes its derivative hedging 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 derivative hedging contracts are based on observable market data from public data sources (specifically, spot rates, 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 December 30, 2018 and December 31, 2017, the Company did not own any material financial assets utilizing Level 3 inputs on a recurring basis.

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.

As of December 30, 2018, the contractual maturities of the Company's certificates of deposit were less than a year.

In December 2017, the Company entered into fixed-for-floating interest rate forward swap agreements with two counter parties, to swap variable interest payments on certain debt for fixed interest payments. In October 2018, the Company entered into fixed-for-floating interest rate forward swap agreements starting in July 2021 with two counterparties to swap future variable interest payments on existing debt for fixed interest payments; these agreements will expire in December 2024.

In fiscal 2018, the gross asset and liability at fair value was \$2.5 million and \$4.1 million respectively and the net impact to the Consolidated Statements of Operations was immaterial. See [Note 12](#) of the Notes to Consolidated Financial Statements for a detail discussion.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain of the Company's assets, including intangible assets, goodwill, cost-method investments and assets held for sale, are measured at fair value on a nonrecurring basis using Level 3 inputs if impairment is indicated.

As of December 30, 2018, the carrying value of the Company's Senior Secured Credit Facility was \$467.9 million (See [Note 15](#)). The carrying value of the Company's Senior Secured Revolving 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% 2020 Spansion Exchangeable Notes assumed as part of the merger with Spansion are traded in the secondary market and are categorized as Level 2. The principal of the Notes and the estimated fair value of the principal as of December 30, 2018 were \$12.0 million and \$30.9 million respectively. See [Note 15](#) of the Notes to Consolidated Financial Statements for further details.

The Company's 4.5% 2022 Senior Exchangeable Notes are traded in the secondary market and their fair value is determined using Level 2 inputs. The principal of the Notes and the estimated fair value as of December 30, 2018, were \$287.5 million and \$336.6 million, respectively. See [Note 15](#) of the Notes to Consolidated Financial Statements for further details.

The Company's 2% 2023 Exchangeable Notes are traded in the secondary market and their fair value is determined using Level 2 inputs. The principal of the Notes and the estimated fair value of the principal as of December 30, 2018, were \$150.0 million and \$140.6 million, respectively. See [Note 15](#) of the Notes to Consolidated Financial Statements for further details.

NOTE 9. BALANCE SHEET COMPONENTS**Accounts Receivable, net**

| | As of | |
|---|------------------------------|------------------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Accounts receivable, gross | \$ 325,178 | \$ 301,465 |
| Allowances for doubtful accounts receivable | (904) | (1,028) |
| Allowances for sales returns | — | (4,446) |
| Accounts receivable, net | <u>\$ 324,274</u> | <u>\$ 295,991</u> |

Inventories

| | As of | |
|-------------------|--------------------------|--------------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Raw materials | \$ 10,004 | \$ 15,635 |
| Work-in-process | 215,820 | 176,427 |
| Finished goods | 66,269 | 80,065 |
| Total inventories | <u>\$ 292,093</u> | <u>\$ 272,127</u> |

Other Current Assets

| | As of | |
|--|--------------------------|--------------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Prepaid tooling | \$ 25,891 | \$ 21,132 |
| Advance to suppliers | 12,058 | 15,968 |
| Prepaid royalty and licenses | 14,863 | 16,630 |
| Derivative assets | 3,492 | 1,197 |
| Value added tax receivable | 7,652 | 11,412 |
| Prepaid expenses | 17,814 | 17,737 |
| Withholding tax receivable and tax advance | 4,236 | 5,790 |
| Other current assets | 15,157 | 13,771 |
| Total other current assets | <u>\$ 101,163</u> | <u>\$ 103,637</u> |

Property, Plant and Equipment, Net

| | As of | |
|---|----------------------|----------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Land | \$ 28,898 | \$ 29,813 |
| Equipment | 607,849 | 559,573 |
| Buildings, building and leasehold improvements | 170,588 | 174,559 |
| Construction in progress | 15,489 | 17,836 |
| Furniture and fixtures | 4,885 | 5,117 |
| Total property, plant and equipment, gross | 827,709 | 786,898 |
| Less: Accumulated depreciation and amortization | (544,723) | (497,344) |
| Total property, plant and equipment, net | <u>\$ 282,986</u> | <u>\$ 289,554</u> |

Other Long-term Assets

| | As of | |
|--|-------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Employee deferred compensation plan | \$ 44,397 | \$ 49,495 |
| Investments in cost method equity securities | — | 17,017 |
| Long-term licenses | 4,495 | 8,654 |
| Advances to suppliers | 11,471 | 11,315 |
| Deposits | 9,441 | 9,830 |
| Pension plan assets | 1,765 | 8,026 |
| Derivatives assets | 1,419 | 607 |
| Prepaid tooling and other non-current assets | 51,317 | 37,802 |
| Total other long-term assets | <u>\$ 124,305</u> | <u>\$ 142,746</u> |

Other Current Liabilities

| | As of | |
|-------------------------------------|-------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Employee deferred compensation plan | \$ 44,834 | \$ 50,629 |
| Restructuring accrual (see Note 11) | 14,536 | 9,580 |
| Derivative liability | 1,621 | 2,033 |
| Accrued expenses | 46,592 | 47,789 |
| Accrued interest | 9,440 | 8,094 |
| Customer advances | 5,296 | 12,873 |
| Other current liabilities | 15,745 | 12,487 |
| Total other current liabilities | <u>\$ 138,064</u> | <u>\$ 143,485</u> |

Other Long-Term Liabilities

| | As of | |
|--|-------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Pension and other employee-related liabilities | \$ 14,083 | \$ 16,779 |
| Restructuring accrual (see Note 11) | — | 8,596 |
| Asset retirement obligation | 5,916 | 5,693 |
| Derivative liability | 4,051 | — |
| Other long-term liabilities | 3,870 | 4,374 |
| Total other long-term liabilities | <u>\$ 27,920</u> | <u>\$ 35,442</u> |

NOTE 10. 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, awards covering 0.2 million shares are outstanding as of December 30, 2018. Any shares subject to awards that are canceled or forfeited under the 1999 Plan after such date will not be available for future grants since the 1999 Plan has expired.

2013 Stock Plan ("2013 Plan"):

The 2013 Plan provides for (1) the discretionary granting of incentive stock options, nonstatutory stock options, stock appreciation rights ("SARs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") or performance-based restricted stock units ("PSUs") to employees, consultants and outside directors; and (2) the grant of nonstatutory stock options, SARs, RSAs, RSUs or PSUs 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 203.6 million shares. Shares issued in respect of "full-value awards" (RSAs, RSUs, PSUs, and other awards with a per share purchase price lower than 100% of the stock's fair market value on the date of grant) count against the authorized limit as 1.88 shares for every one share actually issued. As of December 30, 2018, 36.1 million options or 19.2 million RSUs, PSUs 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, the Company assumed Spansion's 2010 Plan, as amended, which reserves shares of Cypress 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 employees and consultants. The 2010 Plan provides that incentive stock options may be granted only to employees of the Company or its subsidiaries. All stock options expire if not exercised by the seventh anniversary of the grant date. RSU awards 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 canceled, 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 with Spansion and employees hired after the merger. As of December 30, 2018, a total of 2.5 million stock options, RSUs and RSAs remained available for grant under the 2010 Plan.

2012 Incentive Award Plan ("2012 Plan"):

In connection with the Company's acquisition of Ramtron in 2012, the Company assumed Ramtron's 2012 Plan, as amended, which reserves a total of 1.2 million shares of common stock for issuance. 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, 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 employees hired after the acquisition. Shares issued in respect of full-value awards count against the plan's limit as 1.53 shares for every one share actually issued. As of December 30, 2018, 0.2 million stock options or 0.1 million RSUs and RSAs were available for grant under the 2012 Plan.

Employee Stock Purchase Plan ("ESPP"):

The Company's amended and restated Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of the Company's common stock through payroll deductions. Prior to January 2018, the ESPP provided for consecutive 18 months offering periods composed of three six months exercise periods. Starting in January 2018, offering periods for new participants (and for continuing participants, upon the expiration of their prior offering period) are composed of only one 6-month exercise period. As of the December 31, 2018, purchase date, all 18 months offering periods have concluded. Under the ESPP's terms, at the end of each exercise period shares are purchased by participating employees at a price equal to 85% of the fair market value of the common stock at the commencement of the offering period of which such exercise period is a part or on the last day of such exercise period, whichever is lower. Purchases are limited to 10% of an employee's eligible compensation, subject to a maximum annual employee contribution limit of \$21,250. As of December 30, 2018, 1.9 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 Statements of Operations:

| | Year Ended | | |
|--|----------------------|-------------------|------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Cost of revenues | \$ 16,531 | \$ 15,605 | \$ 17,971 |
| Research and development | 35,115 | 36,804 | 38,189 |
| Selling, general and administrative | 44,319 | 39,172 | 42,353 |
| Total stock-based compensation expense | <u>\$ 95,965</u> | <u>\$ 91,581</u> | <u>\$ 98,513</u> |

Aggregate cash proceeds from the issuance of shares under the employee stock plans were \$40.7 million, \$47.2 million and \$43.9 million for fiscal 2018, fiscal 2017 and 2016, respectively. As of December 30, 2018 and December 31, 2017 stock-based compensation capitalized in inventories totaled \$2.5 million and \$3.3 million, respectively.

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

| | Year Ended | | |
|--|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Stock options | \$ 96 | \$ 163 | \$ 700 |
| Restricted stock units and restricted stock awards | 90,655 | 82,946 | 85,170 |
| ESPP | 5,214 | 8,472 | 12,643 |
| Total stock-based compensation expense | \$ 95,965 | \$ 91,581 | \$ 98,513 |

During fiscal 2016, the Company, as part of the severance agreement executed with the Company's former CEO and severance agreements with two other executives, accelerated the vesting of certain awards 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 such modifications.

The following table summarizes the unrecognized stock-based compensation balance by type of awards as of December 30, 2018:

| (In thousands) | Weighted-Average Amortization Period | |
|---|--------------------------------------|------|
| | (In years) | |
| Restricted stock units and restricted stock awards | 59,046 | 1.25 |
| Total unrecognized stock-based compensation balance, net of estimated forfeitures | \$ 59,046 | 1.25 |

Employee Equity Award Activities

As of December 30, 2018, 38.8 million stock options, or 21.8 million RSUs/PSUs, were available for grant under the 2013 Stock Plan, the 2010 Plan and the 2012 Plan.

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

| | Year Ended | | | | | |
|--|--|---|-------------------|---|-----------------|---|
| | December 30, 2018 | | December 31, 2017 | | January 1, 2017 | |
| | 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 | 4,627 | \$ 11.63 | 7,947 | \$ 10.70 | 16,840 | \$ 7.99 |
| Exercised | (1,547) | \$ 9.81 | (2,898) | \$ 8.80 | (8,255) | \$ 5.03 |
| Forfeited or expired | (441) | \$ 17.29 | (422) | \$ 13.58 | (638) | \$ 12.54 |
| Options outstanding, end of year | 2,639 | \$ 11.75 | 4,627 | \$ 11.63 | 7,947 | \$ 10.70 |
| Options exercisable, end of year | 2,612 | \$ 11.76 | 4,340 | \$ 11.66 | 6,736 | \$ 10.62 |

There were no options granted during fiscal years 2018, 2017, and 2016.

The aggregate intrinsic value of the options outstanding and options exercisable as of December 30, 2018 was \$4.6 million and \$4.5 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 December 30, 2018 and does not include substantial tax payments.

The aggregate intrinsic value of the options outstanding and options exercisable as of December 31, 2017 was \$19.2 million and \$18.0 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 December 31, 2017 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 \$11.2 million in fiscal 2018, \$16.2 million in fiscal 2017 and \$46.0 million in fiscal 2016.

The aggregate grant date fair value of the options which vested in fiscal 2018, 2017, and 2016 was \$0.8 million, \$2.7 million, and \$3.5 million, respectively.

The following table summarizes information about options outstanding and exercisable as of December 30, 2018:

| Range of Exercise Price | Options Outstanding | | | Options Exercisable | |
|-------------------------|---------------------|---|---|---------------------|---|
| | Shares | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price per Share | Shares | Weighted-Average Exercise Price per Share |
| | (in thousands) | (In years) | | (in thousands) | |
| \$3.47-\$11.55 | 2,198 | 2.08 | \$ 10.57 | 2,171 | \$ 10.57 |
| \$12.27-\$16.68 | 129 | 2.44 | \$ 12.53 | 128 | \$ 12.53 |
| \$18.86-\$21.63 | 266 | 0.82 | \$ 19.08 | 266 | \$ 19.08 |
| \$22.88-\$22.88 | 39 | 0.11 | \$ 22.88 | 39 | \$ 22.88 |
| \$23.23-\$23.23 | 7 | 0.52 | \$ 23.23 | 7 | \$ 23.23 |
| | 2,639 | 1.19 | \$ 11.75 | 2,611 | \$ 11.76 |

The total number of exercisable in-the-money options was 2.3 million shares as of December 30, 2018.

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

The following table summarizes the Company's restricted stock unit, performance-based restricted awards and restricted stock award activities:

| | Year Ended | | | | | |
|-------------------------------|--|--|-------------------|--|-----------------|--|
| | December 30, 2018 | | December 31, 2017 | | January 1, 2017 | |
| | 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 | 11,976 | \$ 12.44 | 13,780 | \$ 11.83 | 11,053 | \$ 13.43 |
| Granted and assumed | 6,344 | \$ 16.37 | 6,488 | \$ 13.40 | 11,318 | \$ 11.19 |
| Released | (6,601) | \$ 12.92 | (6,248) | \$ 12.17 | (5,890) | \$ 13.36 |
| Forfeited | (1,544) | \$ 13.49 | (2,044) | \$ 12.22 | (2,701) | \$ 12.36 |
| Non-vested, end of year | 10,175 | \$ 14.42 | 11,976 | \$ 12.44 | 13,780 | \$ 11.83 |

During the first quarter of 2018, the Compensation Committee of the Company's Board of Directors approved the issuance of service-based and performance-based restricted stock units under the 2013 Plan as part of the Company's Long-Term Incentive Program ("LTIP") to certain employees. The milestones for the 2018 LTIP grants include service

and performance conditions based on revenue growth and profit milestones over the next 3 years. A portion of the LTIP awards include a multiplier based on certain market conditions.

On March 16, 2017, the Compensation Committee of the Company approved the issuance of service-based and performance-based restricted stock units under the Company's Performance Accelerated Restricted Stock ("PARS") program to certain employees. Both PARS and LTIP grants include performance milestones that are tied to the Company's overall financial performance relative to the financial performance of a selected industry index, peer group, and/or internal targets. Awards are granted annually, with each award typically covering several overlapping performance and vesting periods.

With regard to the performance conditions, the fair value of new or modified awards is equal to the grant date fair market value of the Company's common stock, net of the estimated dividend credit. The compensation cost is recognized over the requisite service period when it is probable that the performance condition will be satisfied. For market conditions, the compensation cost is recognized regardless of whether the conditions are satisfied and based on the grant date fair value of new or modified awards using a Monte Carlo simulation valuation model.

The milestones for the 2018 LTI program, as approved by the Compensation Committee, included a service condition and performance conditions linked to the Company's earnings in 2018, profit before tax in 2020 and three year total stockholder return (TSR) over the period 2018-2020.

The milestones for the 2017 PARS program, as approved by the Compensation Committee, included a 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 milestones for the 2016 PARS program, as approved by the Compensation Committee, included a 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.

ESPP:

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

| | Year Ended | | |
|-------------------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| ESPP: | | | |
| Expected life | 0.5-1.5 years | 0.5-1.5 years | 0.5-1.5 years |
| Volatility | 31.94%-38.13% | 34.8%-38.1% | 36.9%-38.5% |
| Risk-free interest rate | 1.06%-2.14% | 0.65%-1.28% | 0.37%-0.61% |
| Dividend yield | 2.78%-3.87% | 3.22%-3.87% | 4.1% |

Expected life: The expected term represents the average term from the first day of the offering period to the purchase date.

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.

During fiscal 2018, 2017 and 2016, the Company issued 2.3 million, 2.4 million and 1.2 million shares under its ESPP with weighted-average price of \$11.24, \$8.48 and \$8.34 per share, respectively.

NOTE 11. RESTRUCTURING

Since 2016, the Company has launched certain long-term strategic corporate transformation initiatives which required restructuring activities to streamline internal processes and redeploy personnel and resources to target markets as discussed below:

2018 Restructuring Plan

During the first quarter of fiscal 2018, the Company began implementation of a reduction in workforce (the "2018 Plan") which resulted in elimination of approximately 75 positions across various functions. In the third quarter of fiscal 2018, the Company increased the reduction in workforce under the 2018 plan by approximately 50 positions across various functions. The restructuring costs of \$4.9 million during the year ended December 30, 2018 consist of personnel costs. The Company anticipates that the remaining restructuring accrual balance of \$0.2 million will be paid out in cash through the first quarter of fiscal 2019.

2017 Restructuring Plan

In December 2017, the Company began implementation of a reduction in workforce ("2017 Plan") which resulted in elimination of approximately 80 positions worldwide across various functions. The restructuring charge of \$2.4 million during the year ended December 30, 2018 consists of personnel costs. The Company anticipates that the remaining restructuring accrual balance of \$30.0 thousand will be paid out in cash through the first quarter of fiscal 2019.

2016 Restructuring Plan

In September 2016, the Company began implementation of a reduction in workforce ("2016 Plan") which resulted in elimination of approximately 430 positions worldwide across various functions. No restructuring costs were recorded during the year ended December 30, 2018 related to this plan. The personnel costs related to the 2016 plan during the year ended December 31, 2017 were \$2.6 million. The Company had paid out the remaining restructuring cost of \$0.5 million, which consisted of personnel costs, by July 1, 2018.

Spansion Integration-Related Restructuring Plan

In March 2015, the Company implemented cost reduction and restructuring activities in connection with its merger with Spansion. 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.

As part of this restructuring plan, the Company exited an office space leased by Spansion and had recorded a reserve related to excess lease obligation for the building. During the fourth quarter of fiscal 2018, the Company signed a termination agreement with the building's owner. The lease termination cost is approximately \$19.0 million. The Company had paid out \$4.7 million by the end of fiscal 2018 and anticipates paying out the remaining \$14.3 million through the end of the first quarter of fiscal 2019.

During fiscal 2016, a release of previously estimated personnel related liability of \$0.1 million was recorded. No charges were recorded during fiscal 2017 for the Spansion Integration Plan.

Summary of Restructuring Costs

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

| | December 30, 2018 | Year Ended December 31, 2017 | January 1, 2017 |
|---|-------------------|---------------------------------|------------------|
| | (in thousands) | | |
| Personnel Costs | \$ 7,085 | 7,479 | \$ 26,131 |
| Lease termination costs and other related charges | 9,757 | 540 | — |
| Other | — | 1,069 | — |
| Total restructuring and other charges | <u>\$ 16,842</u> | <u>\$ 9,088</u> | <u>\$ 26,131</u> |

The following table summarizes the restructuring costs by line item recorded in the Consolidated Statements of Operations:

| | December 30, 2018 | Year Ended December 31, 2017 | January 1, 2017 |
|-------------------------------------|-------------------|---------------------------------|-----------------|
| | (in thousands) | | |
| Cost of revenues | 3,271 | 548 | 1,420 |
| Research and development | 1,786 | 5,915 | 15,956 |
| Selling, general and administrative | 11,785 | 2,625 | 8,755 |
| Total restructuring costs | <u>16,842</u> | <u>9,088</u> | <u>26,131</u> |

Roll-forward of the restructuring reserves

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

| | Year Ended | | | | |
|---|-------------------|--------------|-------------|------------------------------|------------------|
| | December 30, 2018 | | | | |
| | (In thousands) | | | | |
| | 2018 Plan | 2017 Plan | 2016 Plan | Spansion Integration plan | Total |
| Accrued balance as of January 3, 2016 | \$ — | \$ — | \$ — | \$ 21,487 | \$ 21,487 |
| Provision | — | — | 26,261 | (130) | 26,131 |
| Cash payments and other adjustments | — | — | (5,157) | (7,138) | (12,295) |
| Accrued balance as of January 1, 2017 | — | — | 21,104 | 14,219 | 35,323 |
| Provision | — | 6,464 | 2,624 | — | 9,088 |
| Cash payments and other adjustments | — | (325) | (22,985) | (2,922) | (26,232) |
| Accrued balance as of December 31, 2017 | — | 6,139 | 743 | 11,297 | 18,179 |
| Provision | 4,898 | 2,421 | (234) | 9,757 | 16,842 |
| Cash payments and other adjustments | (4,650) | (8,530) | (509) | (6,796) | (20,485) |
| Accrued balance as of December 30, 2018 | <u>\$ 248</u> | <u>\$ 30</u> | <u>\$ —</u> | <u>\$ 14,258</u> | <u>\$ 14,536</u> |

NOTE 12. FOREIGN CURRENCY AND INTEREST RATE DERIVATIVES

The Company enters into multiple foreign exchange forward contracts to hedge certain operational exposures resulting from fluctuations 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 fluctuations on its operating results. Some foreign currency forward contracts are considered to be economic hedges that were not designated as hedging instruments while others were designated as cash flow hedges. Whether designated or non-designated as cash flow hedges, these forward contracts protect the Company against the variability of forecasted foreign currency cash flows resulting from revenues, expenses and net monetary 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 for foreign currency hedging contracts.

Cash Flow Hedges

The Company enters into cash flow hedges to protect non-functional currency inventory purchases and certain other operational expenses, in addition to its 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's foreign currency forward contracts that were designated as cash flow hedges generally have tenors between three and thirteen 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 Condensed Consolidated Balance Sheets, until the forecasted transaction occurs. Prior to the second quarter of 2018, interest charges or "forward points" on the forward contracts are excluded from the assessment of hedge effectiveness and are recorded in interest and other income, net in the Condensed Consolidated Statements of Operations. In the second quarter of 2018, the Company entered into cash flow hedges, in which interest charges or "forward points" on the forward contracts are included in the assessment of hedge effectiveness, and are recorded in the underlying hedged items in the Condensed 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 interest and other income, net in its Condensed 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 December 30, 2018, the Company had net outstanding forward contracts to buy ¥5,977 million for \$54.4 million. At December 31, 2017, the Company had net outstanding forward contracts to buy ¥3,335 million for \$29.8 million.

Designated hedges

Total notional amounts of net outstanding contracts were as summarized below:

| Buy / Sell | December 30, 2018 | December 31, 2017 |
|--------------------------|--------------------------|--------------------------|
| | (In millions) | |
| US dollar / Japanese Yen | \$44.5 / ¥4,850 | \$58.7 / ¥6,476 |
| Japanese Yen / US dollar | ¥10,827 / \$98.8 | ¥9,811 / \$88.4 |

Non-designated hedges

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

| Buy / Sell | December 30, 2018 | December 31, 2017 |
|--------------------------|--------------------------|--------------------------|
| | (In millions) | |
| US dollar / EUR | \$9.1 / €8.0 | \$8.8 / €7.4 |
| US dollar / Japanese Yen | \$13.2 / ¥1,430 | \$15.9 / ¥1,744 |
| Japanese Yen / US dollar | ¥4,210 / \$38.0 | ¥4,790 / \$43.0 |

Interest rate swaps

In December 2017, the Company entered into fixed-for-floating interest rate forward swap agreements starting in April 2018 with two counterparties, to swap future variable interest payments on certain debt for fixed interest payments; these agreements will expire in July 2021. The objective of the swaps was to effectively fix the interest rate at current levels without having to refinance the outstanding term loan, thereby avoiding the incurrence of transaction costs. The interest rate on the variable debt was fixed in December 2017 and became effective in April 2018.

On January 3, 2018, the Company evaluated the hedge effectiveness of the interest rate swaps and designated these swaps as hedging instruments. Upon designation as cash flow hedge instruments, future changes in fair value of these swaps are recognized in accumulated other comprehensive income (loss).

In October 2018, the Company entered into fixed-for-floating interest rate forward swap agreements starting in July 2021 with two counterparties to swap future variable interest payments on existing debt for fixed interest payments; these agreements will expire in December 2024. The objective of the swaps was to effectively fix the future interest rate at the level currently available to avoid the uncertainty in financing cost for a portion of debt due to future interest rate fluctuations. The aggregate notional amount of these interest rate swaps was \$300 million. The Company has evaluated the hedge effectiveness of the interest rate swaps and has designated these swaps as cash flow hedges of the debt with future changes in fair value of these swaps is recognized in accumulated other comprehensive income (loss).

For fiscal year 2018, the Company has recorded a loss in other comprehensive income of \$1.3 million for these interest rate swaps.

The gross asset and liability at fair value was \$2.5 million and \$4.1 million respectively and the net impact to the Consolidated Statements of Operations was immaterial.

The effect of derivative instruments in the Consolidated Statements of Operations for fiscal 2018 is \$0.2 million. There is no effect of derivative instruments in fiscal 2017,

The gross fair values of derivative instruments on the Consolidated Balance Sheets as of December 30, 2018 and December 31, 2017 were as follows:

| Balance Sheet location | December 30, 2018 | | December 31, 2017 | |
|----------------------------------|---|---|---|---|
| | Derivatives designated as hedging instruments | Derivatives not designated as hedging instruments | Derivatives designated as hedging instruments | Derivatives not designated as hedging instruments |
| (in thousands) | | | | |
| <i>Other Current Assets</i> | | | | |
| Derivative Asset | \$ 2,767 | \$ 725 | \$ 805 | \$ 392 |
| <i>Non-current Assets</i> | | | | |
| Derivative Asset | \$ 1,419 | \$ — | \$ — | \$ 607 |
| <i>Other Current Liabilities</i> | | | | |
| Derivative Liability | \$ 1,210 | \$ 411 | \$ 775 | \$ 1,258 |
| <i>Non-Current Liabilities</i> | | | | |
| Derivative Liability | 4,051 | — | — | — |

NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss) were as follows:

| | Accumulated net unrealized income (loss) on cash flow hedges and other | Accumulated unrecognized gain (loss) on the Defined Benefit Plan | Accumulated other comprehensive income (loss) |
|---|--|--|---|
| (in thousands) | | | |
| Balance as of January 1, 2017 | \$ (7,623) | \$ (1,188) | \$ (8,811) |
| Other comprehensive income (loss) before reclassification | 511 | — | 511 |
| Amounts reclassified to other income (expense), net | 6,614 | — | 6,614 |
| Net unrecognized gain (loss) on the defined benefit plan | — | 324 | 324 |
| Balance as of December 31, 2017 | (498) | (864) | (1,362) |
| Other comprehensive income (loss) before reclassification | (644) | — | (644) |
| Amounts reclassified to operating income | 379 | — | 379 |
| Net unrecognized gain (loss) on the defined benefit plan | — | 3,456 | 3,456 |
| Balance as of December 30, 2018 | <u>\$ (763)</u> | <u>\$ 2,592</u> | <u>\$ 1,829</u> |

NOTE 14. OTHER (EXPENSE) INCOME, NET

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

| | Year Ended | | |
|---|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Interest income | \$ — | \$ 568 | \$ 1,836 |
| Changes in fair value of investments under the deferred compensation plan | (2,904) | 6,087 | 2,326 |
| Unrealized (loss) gain on marketable securities | — | — | 325 |
| Foreign currency exchange and other (losses) gains, net | (340) | (1,838) | (4,251) |
| (Loss) gain on sale of investments | 351 | — | (265) |
| Other | 375 | (549) | 342 |
| Other (expense) income, net | \$ (2,518) | \$ 4,268 | \$ 313 |

NOTE 15. DEBT

Debt is comprised of the following:

| | December 30, 2018 | December 31, 2017 |
|--|-------------------|-------------------|
| | (in thousands) | |
| Current portion of long-term debt | | |
| Senior Secured Credit Facility: | | |
| Term Loan B | 5,051 | 27,303 |
| Capital Lease Obligations | 1,892 | — |
| Current portion of long-term debt | 6,943 | 27,303 |
| Revolving credit facility and long-term portion of debt | | |
| Senior Secured Credit Facility: | | |
| Revolving Credit Facility | — | 90,000 |
| Term Loan B | 462,868 | 468,080 |
| 2.0% 2020 Exchangeable Notes | 11,438 | 20,375 |
| 4.5% 2022 Senior Exchangeable Notes | 256,726 | 246,636 |
| 2.0% 2023 Exchangeable Notes | 135,057 | 131,422 |
| Capital lease obligations | 8,146 | — |
| Credit facility and long-term debt | 874,235 | 956,513 |
| Total debt | \$ 881,178 | \$ 983,816 |

Revolving Credit Facility, Term Loan A, Term Loan B

On March 12, 2015, the Company entered into an Amended and Restated Credit and Guaranty Agreement with Morgan Stanley Bank, N.A., as issuing bank, and other lenders (as amended, the "Credit Agreement"). The Credit Agreement establishes a credit facility (the "Credit Facility" or the "Senior Secured Credit Facility") that includes a revolving loan facility (the "Revolving Credit Facility") and provides for the possibility of term loans.

As per the terms of the Credit Agreement, 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 was 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 have been capitalized and recognized as a deduction of the Term Loan A balance in "Credit facility and long term debt" on the Consolidated Balance Sheet. As described below, Term Loan A was extinguished as a separate borrowing on August 18, 2017.

On January 6, 2016, subsequent to fiscal 2015, the Company entered into an Incremental Revolving Joinder Agreement to its existing Credit Agreement to increase the amount of revolving commitments under the 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 April 27, 2016, the Company amended and restated the Credit Agreement such that borrowings 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, 4.00x 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.

On July 5, 2016, the Company entered into a Joinder and Amendment Agreement with 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 Credit Agreement. 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 a 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 1.00% 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 Sheets. These costs will be amortized over the life of Term Loan B and recorded in "Interest Expense" in the Consolidated Statements of Operations.

On February 17, 2017, the Company amended its Credit Agreement. The amendment reduced the applicable margins on Term Loan B and Term Loan A from 5.50% and 5.11%, respectively, to 3.75% effective February 17, 2017. Additionally, the amended financial covenants include the following conditions: 1) maximum total leverage ratio of 4.25 to 1.00 through December 31, 2017 and 2) maximum total leverage ratio of 4.00 to 1.00 through July 1, 2018 and 3.75 to 1.00 thereafter. The Company incurred financing costs of \$5.9 million to lenders of the term loans which were capitalized and recognized as a reduction of the Term Loan A and Term Loan B balances in "Credit facility and long term debt" on the Consolidated Balance Sheets. These costs will be amortized over the life of the term loans and are recorded in "Expense" in the Consolidated Statements of Operations.

On April 7, 2017, the Company amended its Credit Agreement. The amendment reduced the applicable margins on the Company's Term Loan A from 3.75% to 2.75% effective April 7, 2017. The Company incurred financing costs of \$0.4 million to lenders of Term Loan A which were recognized as a reduction of the Term Loan A balance in "Long-term credit facility and long term debt" in the Consolidated Balance Sheets.

On August 18, 2017, the Company amended its Credit Agreement. As a result of the amendment, Term Loan A borrowing of \$91.3 million was extinguished as a separate borrowing. Term Loan B was increased by \$91.3 million to replace Term Loan A (the "Additional Incremental Term Loan"). Previously unamortized debt issuance costs of \$3.0 million related to Term Loan A were written off and recorded as "Interest expense" in the Consolidated Statements of Operations in fiscal 2017. The additional incremental term loan is subject to the terms of the Credit Agreement and the additional terms set forth in the amendment. The amendment also reduced the applicable margins on Term Loan B from 3.75% to 2.75% effective August 18, 2017. The Company incurred financing costs of \$0.6 million to the lenders of the term loans which have been capitalized and recognized as a reduction of the Term Loan B balances in "Credit facility and long term debt" on the Consolidated Balance Sheets. These costs will be amortized over the life of the term loans and are recorded in "Interest Expense" on the Consolidated Statements of Operations.

On March 12, 2018, the Company amended its Credit Agreement. The amendment reduces the applicable margins on the Revolving Credit Facility and Term Loan B. After giving effect to the amendment, the Term Loan B bore interest, at the option of the Company, at the base rate plus an applicable margin of 1.25% or the Eurodollar rate plus an applicable margin of 2.25%; and the Revolving Credit Facility bears interest, at the option of the Company, at the base rate plus an applicable margin of either 0.75% or 1.00%, depending on the Company's secured leverage ratio, or the Eurodollar rate plus an applicable margin of 1.75% or 2.00%, depending on the Company's secured leverage ratio. The amendment removed the fixed charge coverage ratio financial covenants. In addition, for Term Loan B, the amendment removed the total leverage ratio covenant, changed the required amortization payments to 1% per annum, and waived the excess cash flow mandatory repayment for fiscal 2017.

On September 13, 2018, the Company again amended its Credit Agreement. The amendment reduces the applicable margin for Term Loan B. After giving effect to the amendment, Term Loan B will bear interest, at the option of the Company, at the base rate plus an applicable margin of 1.00% or the Eurodollar rate plus an applicable margin of 2.00%. As part of the transaction, the Company repaid \$25.0 million of outstanding Term Loan B principal.

Interest expenses related to the contractual interest expenses, the amortization of debt issuance costs and the amortization of debt discounts were \$34.3 million, \$45.2 million and \$35.9 million during the fiscal years ended December 30, 2018, December 31, 2017 and January 1, 2017.

As of December 30, 2018, \$476.3 million aggregate principal amount of loan, which is related to Term Loan B, is outstanding under the Credit Facility.

As of December 30, 2018, the Company was in compliance with all of the financial covenants under the Credit Facility.

2% 2020 Spansion Exchangeable Notes

Pursuant to its merger with Spansion, Cypress assumed Spansion's outstanding 2% 2020 Spansion Exchangeable Notes ("Spansion Notes" or the "2.0% 2020 Exchangeable 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% per year payable semi-annually in arrears on March 1 and September 1, commencing on March 1, 2014. The Spansion Notes may be due and payable immediately in certain events of default.

As of December 30, 2018, the Spansion Notes are exchangeable for 203.87 shares of common stock per \$1,000 principal amount of the Spansion Notes (equivalent to an exchange price of \$4.91) 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 the 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 amount of 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 calculating of diluted earnings per share, there would be no adjustment to the numerator in the net income per common share computation for the portion of the Notes intended 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.

On November 1, 2017, the Company entered into a privately negotiated agreement to induce the extinguishment of a portion of the Spansion Notes. The Company paid the holders of the Spansion Notes cash for the aggregate principal of \$128 million and delivered 17.3 million shares of common stock for the conversion spread. The Company recorded \$4.3 million in loss on extinguishment, which included \$1.2 million paid in cash as an inducement premium and a reduction in additional paid-in capital of \$290.6 million towards the deemed repurchase of the equity component of the notes. The loss on extinguishment is recorded in "Other income (expense), net" in the Consolidated Statement of Operations. See [Note 14](#) of the Notes to Consolidated Financial Statements for further details.

On March 7, 2018, the Company entered into a privately negotiated agreement to induce the extinguishment of \$10 million of the remaining \$22 million of Spansion Notes outstanding. The Company paid the holders of the Spansion Notes cash for the aggregate principal of \$10 million and delivered 1.4 million shares of common stock for the conversion spread. The Company recorded \$0.2 million in loss on extinguishment and a reduction in additional paid-in capital of \$25.7 million towards the deemed repurchase of the equity component of the notes. The loss on extinguishment is recorded in "Interest Expense" in the Consolidated Statements of Operations.

The following table presents the interest expense recognized on the Spansion Notes during the fiscal years ended December 30, 2018, December 31, 2017 and January 1, 2017 (in thousands):

| | Year Ended | | |
|--|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| Contractual interest expense at 2% per annum | \$ 242 | \$ 2,880 | \$ 2,989 |
| Accretion of debt discount | 329 | 3,149 | 3,556 |
| Total | \$ 571 | \$ 6,029 | \$ 6,545 |

The 2% 2020 Exchangeable Notes consisted of the following as of December 30, 2018 and December 31, 2017 (in thousands):

| | December 30, 2018 | December 31, 2017 |
|-----------------------------|-------------------|-------------------|
| Equity component (1) | \$ 22,971 | \$ 42,130 |
| Liability component: | | |
| Principal | \$ 11,990 | \$ 21,990 |
| Less debt discount, net (2) | (552) | (1,615) |
| Net carrying amount | \$ 11,438 | \$ 20,375 |

(1) Included on the consolidated balance sheets within additional paid-in-capital

(2) Included on the consolidated balance sheets within Credit facility and long-term debt and is amortized over the remaining life of the 2% 2020 Exchangeable Notes.

4.5% 2022 Senior Exchangeable Notes

On June 23, 2016, the Company issued \$287.5 million of Senior Exchangeable Notes due in 2022 (the "4.5% 2022 Senior Exchangeable Notes") at face value in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The 4.5% 2022 Senior Exchangeable Notes are governed by an Indenture ("2016 Indenture"), dated June 23, 2016, between the Company and U.S. Bank National Association, as Trustee. The 4.5% 2022 Senior Exchangeable 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 4.5% 2022 Senior Exchangeable Notes may be due and payable immediately in certain events of default.

The 4.5% 2022 Senior Exchangeable Notes are exchangeable for an initial exchange rate of 74.14 shares of common stock per \$1,000 principal amount of the 4.5% 2022 Senior Exchangeable 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 2016 Indenture. On or after October 15, 2021, until the close of business on the second scheduled trading day immediately preceding the maturity date, the 4.5% 2022 Senior Exchangeable 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 4.5% 2022 Senior Exchangeable Notes cash for an amount up to the aggregate principal amount of the 4.5% 2022 Senior Exchangeable 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 portion of the 4.5% 2022 Senior Exchangeable Notes intended 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.

At the debt issuance date, the 4.5% 2022 Senior Exchangeable Notes, net of issuance costs, consisted of the following (in thousands):

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

The following table includes total interest expense related to the 4.5% 2022 Senior Exchangeable Notes recognized during the fiscal years ended December 30, 2018, December 31, 2017 and January 1, 2017 (in thousands):

| | Year ended | | |
|-------------------------------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| Contractual interest expense | \$ 12,902 | \$ 13,009 | \$ 6,900 |
| Amortization of debt issuance costs | 1,278 | 1,289 | 700 |
| Accretion of debt discount | 8,811 | 8,885 | 4,646 |
| Total | \$ 22,991 | \$ 23,183 | \$ 12,246 |

The 4.5% 2022 Senior Exchangeable Notes consisted of the following as of December 30, 2018 and December 31, 2017 (in thousands):

| | December 30, 2018 | December 31, 2017 |
|---|-------------------|-------------------|
| Equity component (1) | \$ 47,686 | \$ 47,686 |
| Liability component: | | |
| Principal | \$ 287,500 | \$ 287,500 |
| Less debt discount and debt issuance costs, net (2) | (30,774) | (40,864) |
| Net carrying amount | \$ 256,726 | \$ 246,636 |

(1) Included in the consolidated balance sheets within additional paid-in-capital

(2) Included in the consolidated balance sheets within Credit facility and long-term debt and is amortized over the remaining life of the 4.5% 2022 Exchangeable Notes.

Capped Calls, 4.5% 2022 Senior Exchangeable Notes

In connection with the issuance of the 4.5% 2022 Senior Exchangeable 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 4.5% 2022 Senior Exchangeable Notes. The capped call transactions have an initial strike price of approximately \$13.49 and an initial cap price of approximately \$15.27, in each case, subject to adjustment. The capped calls are intended to reduce the potential dilution and/or offset any cash payments the Company is required to make upon conversion of the 4.5% 2022 Senior Exchangeable Notes if the market price of the Company's common stock is above the strike price of the capped calls. If, however, the market price of the Company's common stock is greater than the cap price of the capped calls, there would be dilution and/or no offset of such potential cash payments, as applicable, to the extent the market price of the common stock exceeds the cap price. The capped calls expire in January 2022.

2.0% 2023 Exchangeable Notes

On November 6, 2017, the Company, issued at face value, \$150.0 million of Senior Exchangeable Notes due in 2023 (the "2% 2023 Exchangeable Notes") in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The 2% 2023 Exchangeable Notes are governed by an Indenture ("2017 Indenture"), dated November 6, 2017, between the Company and U.S. Bank National Association, as Trustee. The 2% 2023 Exchangeable Notes will mature on February 1, 2023 unless earlier repurchased or converted, and bear interest of 2% per year payable semi-annually in arrears on February 1 and August 1, commencing on February 1, 2018. The 2% 2023 Exchangeable Notes may be due and payable immediately in certain events of default.

The 2% 2023 Exchangeable Notes are exchangeable at an initial exchange rate of 46.7099 shares of common stock per \$1,000 principal amount of the 2% 2023 Exchangeable Notes (equivalent to an initial exchange price of approximately \$21.41 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 November 1, 2022, the 2% 2023 Exchangeable Notes will be exchangeable under certain specified circumstances as described in the 2017 Indenture. On or after November 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, the 2% 2023 Exchangeable 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 2% 2023 Exchangeable Notes cash for an amount up to the aggregate principal amount of 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 portion of the Notes that are intended to be cash settled. 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 2% 2023 Exchangeable 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 89.7% of the par value of the 2% 2023 Exchangeable Notes or \$134.6 million. The carrying amount of the equity component of \$15.5 million representing the conversion option was determined by deducting the fair value of the liability component from the face value of the Exchangeable 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 2% 2023 Exchangeable 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 \$4.1 million relating to the issuance of the 2% 2023 Exchangeable Notes. The transaction costs of \$4.1 million include \$3.4 million of financing fees paid to the initial purchasers of the 2% 2023 Exchangeable 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 debt and equity recognized in accordance with the accounting standards. The transaction costs allocated to the debt component of approximately \$3.7 million are being amortized as interest expense over the term of the 2% 2023 Exchangeable Notes using the effective yield method. The transaction costs allocated to the equity component of approximately \$0.4 million were recorded as a reduction of additional paid-in capital.

At the debt issuance date, the 2% 2023 Exchangeable Notes, net of issuance costs, consisted of the following (in thousands):

| | November 6, 2017 | |
|---|-------------------------|---------|
| <i><u>Liability component</u></i> | | |
| Principal | \$ | 134,550 |
| Less: Issuance cost | | (3,678) |
| Net carrying amount | \$ | 130,872 |
| <i><u>Equity component</u></i> | | |
| Allocated amount | \$ | 15,450 |
| Less: Issuance cost | | (422) |
| Net carrying amount | \$ | 15,028 |
| Exchangeable Notes, net of issuance costs | \$ | 145,900 |

The following table includes total interest expense related to the 2% 2023 Exchangeable Notes recognized during the fiscal years ended December 30, 2018 and December 31, 2017 (in thousands):

| | Year ended December 30, 2018 | | Year ended December 31, 2017 | |
|-------------------------------------|------------------------------|-------|------------------------------|-------|
| Contractual interest expense | \$ | 2,992 | \$ | 452 |
| Amortization of debt issuance costs | | 700 | | 106 |
| Accretion of debt discount | | 2,940 | | 444 |
| Total | \$ | 6,632 | \$ | 1,002 |

The 2% 2023 Exchangeable Notes consisted of the following as of December 30, 2018 and December 31, 2017 (in thousands):

| | December 30, 2018 | | December 31, 2017 | |
|---|-------------------|----------|-------------------|----------|
| Equity component (1) | \$ | 15,028 | \$ | 15,028 |
| Liability component: | | | | |
| Principal | \$ | 150,000 | \$ | 150,000 |
| Less debt discount and debt issuance costs, net (2) | | (14,943) | | (18,578) |
| Net carrying amount | \$ | 135,057 | \$ | 131,422 |

(1) Included in the consolidated balance sheets within additional paid-in-capital

(2) Included in the consolidated balance sheets within Credit facility and long-term debt and is amortized over the remaining life of the 2% 2023 Exchangeable Notes.

Capital Leases and Equipment Loans

The Company has had capital lease arrangements related to certain equipment at its Austin manufacturing facility which expire in 2024. In June 2018, the Company entered into a capital lease agreement for manufacturing equipment. The lease has a term of 5 years through June 2023. As of December 30, 2018, the Company recorded a capital lease obligation of approximately \$10.0 million.

Future Debt Payments

The future scheduled principal payments for the outstanding Company's debt as of December 30, 2018 were as follows (in thousands):

| Fiscal Year | Total |
|-------------|------------|
| 2019 | \$ 6,738 |
| 2020 | 18,747 |
| 2021 | 467,899 |
| 2022 | 289,275 |
| 2023 | 151,738 |
| Thereafter | 1,441 |
| Total | \$ 935,838 |

NOTE 16. EQUITY TRANSACTIONS

\$450 million Stock Buyback Program:

On October 20, 2015, the Company's Board authorized a \$450 million stock buyback program. The program allows the Company to purchase its common stock or enter into equity derivative transactions related to its 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, alternative 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. Under the program through the end of fiscal 2018, the Company used \$274.1 million to repurchase 31.8 million shares at an average price of \$8.62.

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 that the Company has 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 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 had no activity related to yield enhanced structured agreements during fiscal 2017. The following table summarizes the activity of the Company's settled yield enhanced structured agreements during fiscal 2018:

| | Aggregate Price Paid | Total Number of Shares Received Upon Maturity | Average Price Paid per Share |
|--|--|---|---------------------------------|
| Fiscal 2018: | (in thousands, except per share amounts) | | |
| Settled through issuance of common stock | \$ 3,262 | 250 | \$ 13 |
| Total for fiscal 2018 | \$ 3,262 | 250 | \$ 13 |

Dividends

During fiscal 2018, the Company paid total cash dividends of \$157.4 million consisting of dividends of \$0.11 per share of common stock paid in all four quarters of the fiscal year. On November 5, 2018, 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 27, 2018. This cash dividend was paid on January 17, 2019 and totaled \$39.7 million.

During fiscal 2017, the Company paid total cash dividends of \$144.7 million, consisting of dividends of \$0.11 per share of common stock paid in each of the quarters of the fiscal year.

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 each of the quarters of the fiscal year.

NOTE 17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company purchases from, or sells to (a) entities for which one of the Company's directors or executive officers serves as a director or (b) entities that are otherwise affiliated with one of the Company's directors or executive officers (collectively, "related parties").

For the indicated periods, the following table presents information on the Company's transactions with such entities occurring at a time when the entity was a related party of the Company.

| | Year ended | | |
|-----------------|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (in thousands) | | |
| Total revenues | \$ 224 | \$ 4,713 | \$ 2,965 |
| Total purchases | \$ 12,995 | \$ 54,236 | \$ 7,936 |

As of December 30, 2018 and December 31, 2017, amounts due from these parties totaled \$0.1 million and \$4.8 million, respectively, and amounts due to these parties totaled \$1.9 million and \$9.9 million, respectively.

NOTE 18. 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. This computation excludes all dilutive potential common shares when the Company is in a net loss position as their inclusion would be anti-dilutive. The Company's dilutive securities primarily include stock options, restricted stock units, ESPP purchase rights, and the exchangeable notes.

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

| | Year Ended | | |
|--|--|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands, except per-share amounts) | | |
| Net Income (Loss) per Share—Basic: | | | |
| Net (loss) attributable to Cypress for basic and diluted computation | \$ 354,592 | \$ (80,915) | \$ (683,234) |
| Weighted-average common shares for basic computation | 359,324 | 333,451 | 319,522 |
| Net (loss) per share—basic | \$ 0.99 | \$ (0.24) | \$ (2.14) |
| Net (Loss) per Share—Diluted: | | | |
| Net income (loss) attributable to Cypress for diluted computation | \$ 354,592 | \$ (80,915) | \$ (683,234) |
| Weighted-average common shares for basic computation | 359,324 | 333,451 | 319,522 |
| Effect of dilutive securities: | | | |
| Stock options, restricted stock units, ESPP purchase rights, exchangeable notes, and other | 12,854 | — | — |
| Weighted-average common shares for diluted computation | 372,178 | 333,451 | 319,522 |
| Net income (loss) per share—diluted | \$ 0.95 | \$ (0.24) | \$ (2.14) |

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 | | |
|--|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (in thousands) | | |
| Stock options and restricted stock units | 693 | 8,375 | 6,226 |
| Exchangeable Notes | 2,464 | 17,732 | 13,844 |

NOTE 19. EMPLOYEE BENEFIT PLANS

Pension Plans

The Company sponsors defined benefit pension plans covering employees in India, Japan, Philippines, South Korea, Taiwan and Thailand. 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 December 30, 2018 and December 31, 2017, projected benefit obligations, net of plan assets totaled \$13.4 million and \$15.5 million, respectively, and the fair value of plan assets was \$3.1 million and \$2.7 million, respectively.

Cypress Incentive Plan

The Company has an employee incentive plan, which provides for cash incentive payments to certain employees including all named executive officers. Payments under the plan are determined based upon certain performance measures, including the Company's revenue and pre-bonus pre-tax profit margin as well as the achievement of strategic, operational and financial goals established for each employee. The Company recorded total charges of approximately \$59.8 million under the plan in fiscal 2018.

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 December 30, 2018 and December 31, 2017, the fair value of the assets was \$44.4 million and \$49.5 million, respectively, and the fair value of the liabilities was \$44.8 million and \$50.6 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 | | |
|---|-------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (in thousands) | | |
| Changes in fair value of assets recorded in: | | | |
| Other income (expense), net | \$ (2,904) | \$ 6,087 | \$ 2,326 |
| Changes in fair value of liabilities recorded in: | | | |
| Cost of revenues | 168 | (602) | (288) |
| Research and development expenses | 971 | (2,826) | (884) |
| Selling, general and administrative expenses | 1,036 | (3,936) | (1,889) |
| Total expense, net | <u>\$ (729)</u> | <u>\$ (1,277)</u> | <u>\$ (735)</u> |

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. As of December 30, 2018, the Company matches contribution equal to 50% of the first \$2,000 that each employee contributes to the Plan for both pre-tax and Roth deferrals. Effective December 31, 2018, the Company has increased the employer's matching contribution to 50% of the first \$4,000 that each employee contributes to the Plan for both pre-tax and Roth deferrals.

NOTE 20. INCOME TAXES

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

| | Year Ended | | |
|--------------------------------------|-------------------|--------------------|-------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| United States loss | \$ (98,546) | \$ (108,146) | \$ (786,610) |
| Foreign income | 137,520 | 38,388 | 105,992 |
| Income (loss) before income taxes | <u>38,974</u> | <u>(69,758)</u> | <u>(680,618)</u> |
| Income tax benefit (provision): | | | |
| Current tax benefit (expense): | | | |
| Federal | (3,859) | (1,358) | (1,144) |
| State | (372) | (125) | 204 |
| Foreign | (20,498) | (15,081) | (926) |
| Total current tax benefit (expense) | <u>(24,729)</u> | <u>(16,564)</u> | <u>(1,866)</u> |
| Deferred tax benefit (expense): | | | |
| Federal | 334,453 | 4,341 | (556) |
| State | 5,236 | (67) | (31) |
| Foreign | 658 | 1,133 | (163) |
| Total deferred tax benefit (expense) | <u>340,347</u> | <u>5,407</u> | <u>(750)</u> |
| Income tax benefit (provision) | <u>\$ 315,618</u> | <u>\$ (11,157)</u> | <u>\$ (2,616)</u> |

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 | | |
|--|----------------------|--------------------|-------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Benefit (provision) at U.S. statutory rate (21% for 2018, 35% for 2017 and 2016) | \$ (8,185) | \$ 24,415 | \$ 238,216 |
| Valuation allowance release (excluding rate items below) | 363,057 | — | — |
| Foreign income at other than U.S. rates | (14,279) | (67,685) | (36,552) |
| Future benefits not recognized ¹ | (4,475) | 23,978 | (37,033) |
| Goodwill and asset impairment | (26,478) | — | (181,987) |
| Reversal of previously accrued taxes | — | 1,447 | 13,371 |
| Foreign withholding taxes | (2,168) | (3,718) | (2,018) |
| State income taxes, net of federal benefit | (372) | (192) | (87) |
| Tax credit ¹ | 10,129 | 11,421 | 7,826 |
| Other, net | (1,611) | (823) | (4,352) |
| Income tax benefit (provision) | \$ 315,618 | \$ (11,157) | \$ (2,616) |

1. Certain balances included on the Income tax benefit (provision) for prior periods have been reclassified to conform to the current period presentation.

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

| | As of | |
|---|----------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| Deferred tax assets: | | |
| Credits and net operating loss carryovers | \$ 429,800 | \$ 460,329 |
| Reserves and accruals | 82,990 | 92,655 |
| Excess of book over tax depreciation | 5,614 | 11,744 |
| Deferred income | 34,347 | 39,367 |
| Total deferred tax assets | 552,751 | 604,095 |
| Less valuation allowance | (158,535) | (513,191) |
| Deferred tax assets, net | 394,216 | 90,904 |
| Deferred tax liabilities: | | |
| Foreign earnings and others | (7,396) | (68,013) |
| Intangible assets arising from acquisitions | (47,141) | (24,477) |
| Total deferred tax liabilities | (54,537) | (92,490) |
| Net deferred tax assets | \$ 339,679 | \$ (1,586) |

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

| Carryforward | Amount | Expiration Date |
|---|------------------|-----------------|
| | (\$ in millions) | |
| Federal net operating loss carryforward | \$ 968 | 2025-2037 |
| Federal research credit carryforward | \$ 117 | 2019-2038 |
| International foreign tax credit carryforward | \$ 12 | 2019-2023 |
| State research credit carryforward | \$ 104 | Indefinite |
| State net operating loss carryforward | \$ 304 | 2019-2037 |
| State research credit carryforward | \$ 3 | 2019-2038 |

The federal and state net operating loss carryforward is subject to limitations under Internal Revenue Code Section 382.

The Company recorded an income tax benefit of \$315.6 million in 2018, an income tax expense of \$11.2 million in 2017, and an income tax expense of \$2.6 million in 2016. The tax benefit for 2018 was more favorable than the tax provision to be expected based on the federal statutory rate primarily due to the release of valuation allowance against certain U.S. deferred tax assets. The income tax expenses for fiscal 2017 and 2016 were primarily attributable to income taxes associated with our non-U.S. operations, primarily offset by release of previously accrued taxes related to the lapsing of statutes of limitation.

A valuation allowance is established or maintained when, based on currently available information and other factors, it is more likely than not that all or a portion of the deferred tax assets will not be realized. The Company regularly assesses our valuation allowance against deferred tax assets on a jurisdiction by jurisdiction basis. The Company considers all available positive and negative evidence, including future reversals of temporary differences, projected future taxable income, tax planning strategies and recent financial results. During the fourth quarter of 2018, the Company emerged from a cumulative loss position over the previous three years. The cumulative three-year pre-tax income is considered positive evidence which is objective and verifiable and thus received significant weighting. The continued pattern of income before tax, recent global restructuring executed in fiscal 2018 and projected future operating income in the U.S. was additional positive evidence. As a result, the Company released \$343.3 million of the valuation allowance attributable to certain U.S. deferred tax assets during 2018. Please refer to Schedule II for the adjustments to valuation allowance balances.

As of December 30, 2018, for certain federal and state attributes, a valuation allowance of \$158.5 million has been recorded for the portion that is not more likely than not to be realized. As of December 31, 2017, of the total deferred tax assets of \$604.1 million, a valuation allowance of \$513.2 million had been recorded for the portion which was not more likely than not to be realized, based upon the Company's evaluation at the time. The Company will continue to evaluate all evidence in future periods to determine if a further release of the valuation allowance is warranted.

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's foreign operation 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 December 30, 2018 had an insignificant impact on earnings per share.

Unrecognized Tax Benefits

The following table is a reconciliation of unrecognized tax benefits:

| | (In thousands) |
|--|-------------------|
| Unrecognized tax benefits, as of January 3, 2016 | \$ 114,843 |
| Decrease related to lapsing of statute of limitation | (7,190) |
| 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 |
| Decrease related to lapsing of statute of limitation | (1,108) |
| Increase based on tax positions related to current year | 4,475 |
| Increases in balances related to tax positions taken during prior periods | 1,631 |
| Decrease in balances due to the Tax Reform corporate tax rate change from 35% to 21% | (36,087) |
| Unrecognized tax benefits, as of December 31, 2017 | \$ 115,235 |
| Decrease related to partial settlements with taxing authorities | \$ (358) |
| Increase based on tax positions related to current year | \$ 4,270 |
| Increases in balances related to tax positions taken during prior periods | \$ 2,729 |
| Unrecognized tax benefits, as of December 30, 2018 | \$ 121,876 |

Gross unrecognized tax benefits increased by \$6.6 million during fiscal year 2018, resulting in gross unrecognized tax benefits of \$121.9 million as of December 30, 2018.

During fiscal year 2018, the Company recognized \$0.4 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.

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 \$2.4 million of benefit related to interest and penalties in fiscal year 2018. Accrued interest and penalties are included within other long-term liabilities in the consolidated balance sheets. As of December 30, 2018 and December 31, 2017, the combined amount of cumulative accrued interest and penalties was approximately \$13.0 million and \$11.0 million, respectively.

As of December 30, 2018 and December 31, 2017, the amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate totaled \$65.8 million and \$28.9 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 statutes 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 reasonably possible that it may recognize up to approximately \$3.2 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 December 30, 2018 and December 31, 2017, the amount of accrued interest and penalties totaled \$13.0 million and \$11.0 million, respectively. The Company recorded a

charge or (benefit) from interest and penalties of \$2.4 million, \$2.2 million and \$(3.4) million during fiscal 2018, 2017 and 2016, 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 December 30, 2018:

| Tax Jurisdictions | Tax Years |
|-------------------|-----------------|
| United States | 2009 and onward |
| California | 2010 and onward |
| Philippines | 2014 and onward |
| Israel | 2014 and onward |
| India | 2004 and onward |
| Thailand | 2011 and onward |
| Malaysia | 2003 and onward |
| Switzerland | 2008 and onward |
| Japan | 2011 and onward |

Income tax examinations of the Company's Malaysian subsidiary for the fiscal years 2003 to 2013 and our Philippine subsidiary for fiscal year 2014 are in progress. The Company does not believe the ultimate outcome of these examinations will result in a material increase to its tax liability.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code effective for tax years beginning after December 31, 2017. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21%, the repeal of corporate alternative minimum tax, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company recorded a provisional tax benefit of \$8.6 million in the fourth quarter of 2017, the period in which the legislation was enacted. In the fourth quarter of 2018, the Company completed its accounting for the effects of the Act within the measurement period under SAB 118. There were no material adjustments to the provisional tax benefit recorded in the fourth quarter of 2017.

The Company has not provided the U.S. income taxes and foreign withholding taxes on a cumulative total of \$9.9 million of undistributed earnings for non-U.S. subsidiaries as of December 30, 2018, because such earnings are intended to be indefinitely reinvested. Income taxes and foreign withholding taxes associated with these undistributed earnings are not significant.

NOTE 21. 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 | | |
|---------------------------------------|----------------------|-------------------|-----------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Beginning balance | \$ 4,445 | \$ 3,996 | \$ 4,096 |
| Provisions & prior warranty estimates | 5,325 | 2,947 | 5,261 |
| Settlements made | (5,788) | (2,498) | (5,361) |
| Ending balance | <u>\$ 3,982</u> | <u>\$ 4,445</u> | <u>\$ 3,996</u> |

Operating Lease Commitments

The Company leases certain facilities and equipment under non-cancelable operating lease agreements that expire at various dates through fiscal 2026. Some leases include renewal options, which would permit extensions of the expiration dates at rates approximating fair market rental values.

As of December 30, 2018, future minimum lease payments under non-cancelable operating leases were as follows:

| Fiscal Year | (In thousands) |
|-------------|------------------|
| 2019 | \$ 29,315 |
| 2020 | 12,860 |
| 2021 | 8,176 |
| 2022 | 6,241 |
| 2023 | 2,476 |
| Thereafter | 3,808 |
| Total | <u>\$ 62,876</u> |

Restructuring accrual balances related to operating facility leases were \$14.3 million and \$11.5 million as of December 30, 2018 and December 31, 2017, respectively.

Contractual Obligations

The Company has entered into agreements with certain vendors that include "take or pay" terms. Take or pay terms obligate the Company to purchase a minimum required amount or services or make specified payments in lieu of such purchase. The Company may not be able to consume minimum commitments under these take or pay terms, requiring payments to vendors, which may have a material adverse impact on the Company's Consolidated Statements of Operations.

Litigation and Asserted Claims

The Company is currently involved in various legal proceedings, claims, and disputes arising in the ordinary course of business, including intellectual property claims and other matters.

For many legal matters, particularly those in early stages, the Company cannot reasonably estimate the possible loss (or range of loss), if any. The Company records an accrual for legal matters at the time or times it determines that a loss is both probable and reasonably estimable. Amounts accrued as of December 30, 2018 were not material. Regarding matters for which no accrual has been made (including the potential for losses in excess of amounts accrued), the Company currently believes, based on its own investigations, that any losses (or ranges of losses) that are reasonably possible and estimable will not, in the aggregate, have a material adverse effect on its financial position, results of operations, or cash flows. However, the ultimate outcome of legal proceedings involves

judgments, estimates, and inherent uncertainties and cannot be predicted with certainty. Should the ultimate outcome of any legal matter be unfavorable, the Company's business, financial condition, results of operations, or cash flows could be materially and adversely affected. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against legal claims.

Indemnification Obligations

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify other parties to such agreements with respect to certain matters. Typically, these obligations arise in the context of contracts that the Company has entered into, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants or terms and conditions related to such matters as the sale and/or delivery of its products, title to assets sold, certain intellectual property claims, defective products, specified environmental matters and certain income taxes. With respect to the sale of a manufacturing facility or subsidiary business, such indemnification may also cover tax matters and the Company's management of the facility or business prior to the sale. In the foregoing circumstances, payment by the Company is customarily conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims and vigorously defend itself and the other party against related third-party claims. Further, the Company's obligations under these agreements may be limited in terms of time, amount or the scope of its responsibility and in some instances, the Company 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 the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments the Company has made under these agreements have not had a material effect on the Company's business, financial condition or results of operations. As of December 30, 2018, management believes that if the Company were to incur a loss (in excess of amounts already recognized) in any of these matters, such loss would not have a material effect on its business, financial condition, cash flows or results of operations, though there can be no assurance in this regard.

NOTE 22. 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 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 Company's segments are its Microcontroller and Connectivity Division (or MCD) and its Memory Products Division (or MPD).

Income (Loss) from Operations before Income Taxes:

| | Year Ended | | |
|---|-------------------|-------------------|---------------------|
| | December 30, 2018 | December 31, 2017 | January 1, 2017 |
| | (In thousands) | | |
| Microcontroller and Connectivity Division | \$ 149,347 | \$ 56,314 | \$ (12,674) |
| Memory Products Division | 375,123 | 279,129 | 192,066 |
| Unallocated items: | | | |
| Stock-based compensation expense | (95,965) | (91,581) | (98,513) |
| Restructuring (charges) benefit, including executive severance | (16,842) | (9,088) | (30,631) |
| Reimbursement payment in connection with the cooperation and settlement agreement | — | (3,500) | — |
| Amortization of intangibles and other acquisition-related costs | (218,149) | (204,448) | (210,513) |
| Impairment of assets and other | — | — | (33,944) |
| Impairment related to assets held for sale | (76,590) | — | (37,219) |
| Loss on extinguishment of debt | (5,169) | (7,246) | — |
| Imputed interest on convertible debt, equity component amortization on convertible debt, and amortization of debt issuance cost | (19,947) | (20,538) | (8,306) |
| Gain on divestiture | — | 1,245 | — |
| Changes in value of deferred compensation plan | (728) | (1,277) | (735) |
| Gain related to investment in Deca Technologies Inc. | — | — | 112,774 |
| Goodwill impairment charge | — | — | (488,504) |
| Gain on sale of cost method investment | 1,521 | — | — |
| Impact of purchase accounting and other | 3,982 | 3,136 | (47,418) |
| Income (loss) from operations before income taxes | <u>\$ 96,583</u> | <u>\$ 2,146</u> | <u>\$ (663,617)</u> |

The Company does not allocate stock-based compensation, changes in value of deferred compensation plan, share in net loss and impairment of equity method investees, amortization of intangible assets, imputed interest on convertible debt, equity component amortization on convertible debt and others, amortization of debt issuance cost, settlement agreements, restructuring charges, loss on extinguishment of Spansion convertible notes, loss on assets held for sale, and gain on sale on cost method investment, impact of purchase accounting, interest income and other, and interest expense to its segments. The Company excludes these items consistent with the manner in which it internally evaluates its results of operations.

Geographical Information

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

| | As of | |
|--|-------------------|-------------------|
| | December 30, 2018 | December 31, 2017 |
| | (In thousands) | |
| United States | \$ 173,973 | \$ 186,824 |
| Philippines | 33,413 | 36,747 |
| Thailand | 34,581 | 29,151 |
| Japan | 11,251 | 12,211 |
| Other | 29,768 | 24,621 |
| Total property, plant and equipment, net | <u>\$ 282,986</u> | <u>\$ 289,554</u> |

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 CODM does not review asset information on a segment basis.

Customer Information

Outstanding accounts receivable from one of the Company's distributors, accounted for 25% and 28%, respectively, of the Company's consolidated accounts receivable as of December 30, 2018 and December 31, 2017.

Revenue generated through two of the Company's distributors, accounted for 18% and 14%, respectively, of the Company's consolidated revenues for fiscal 2018.

Revenue generated through two of the Company's distributors, accounted for 20% and 13%, respectively, of the Company's consolidated revenues for fiscal 2017.

Revenue generated through one of the Company's distributors accounted for 23% of the Company's consolidated revenues for fiscal 2016.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Cypress Semiconductor Corporation and its subsidiaries (the "Company") as of December 30, 2018 and December 31, 2017, and the related consolidated statements of operations, of comprehensive income (loss), of stockholders' equity and of cash flows for each of the three years in the period ended December 30, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2)(collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 30, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (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
February 27, 2019

We have served as the Company's auditor since 1982.

UNAUDITED QUARTERLY FINANCIAL DATA

Beginning fiscal year 2018, the Company allocated the amortization of acquisition-related intangible assets, restructuring costs and certain other expenses by function in the Consolidated Statements of Operations. The Consolidated Statements of Operations for the prior comparative periods have been reclassified to conform to the current period presentation. See [Note 1](#) to the Company's consolidated financial statements for further discussion. The 2017 quarterly reclassifications have been effected in the 2018 unaudited interim financial statements filings on Form 10-Q.

Fiscal 2018

| | Three Months Ended | | | |
|--|-----------------------|----------------------------|----------------------|-----------------------|
| | December 30, 2018 (1) | September 30, 2018 (2) (3) | July 1, 2018 (2) (3) | April 1, 2018 (2) (3) |
| Revenues | \$ 604,474 | \$ 673,035 | \$ 624,090 | \$ 582,241 |
| Gross Margin | \$ 225,210 | \$ 259,715 | \$ 234,148 | \$ 212,392 |
| Net income (loss) | \$ 267,201 | \$ 50,747 | \$ 27,794 | \$ 9,090 |
| Adjust for net loss attributable to non-controlling interest | \$ (87) | \$ (52) | \$ (88) | \$ (12) |
| Net income (loss) attributable to Cypress | \$ 267,114 | \$ 50,695 | \$ 27,706 | \$ 9,078 |
| Net income (loss) per share - basic | \$ 0.74 | \$ 0.14 | \$ 0.08 | \$ 0.03 |
| Net income (loss) per share - diluted | \$ 0.72 | \$ 0.14 | \$ 0.07 | \$ 0.02 |

Fiscal 2017

| | Three Months Ended | | | |
|--|----------------------------------|---------------------|--------------------------|-----------------------|
| | December 31, 2017 (4) (5) (7) | October 1, 2017 (5) | July 2, 2017 (4) (5) (6) | April 2, 2017 (4) (5) |
| Revenues | \$ 597,547 | \$ 604,574 | \$ 593,776 | \$ 531,874 |
| Gross Margin | \$ 222,385 | \$ 209,696 | \$ 192,745 | \$ 157,108 |
| Net income (loss) | \$ (34,026) | \$ 13,030 | \$ (16,854) | \$ (42,935) |
| Adjust for net loss attributable to non-controlling interest | \$ 12 | \$ (14) | \$ (66) | \$ (64) |
| Net income (loss) attributable to Cypress | \$ (34,014) | \$ 13,016 | \$ (16,920) | \$ (42,999) |
| Net income (loss) per share - basic | \$ (0.10) | \$ 0.04 | \$ (0.05) | \$ (0.13) |
| Net income (loss) per share - diluted | \$ (0.10) | \$ 0.04 | \$ (0.05) | \$ (0.13) |

- (1) During the fourth quarter of fiscal 2018, the Company recorded an impairment charge of \$41.5 million related to its investment in Deca Technologies Inc., a privately held company, loss on assets held for sale of \$76.6 million related to the Company's entry into a definitive agreement to divest the NAND business, and release of the deferred taxes valuation allowance of \$343.3 million. See [Note 7](#), [Note 6](#), and [Note 20](#) of the Notes to Consolidated Financial Statements, respectively.
- (2) During the first, second, and third quarters of fiscal 2018, the Company recorded \$4.1 million, \$1.2 million, and \$10.0 million, respectively, of restructuring charges. See [Note 11](#) of the Notes to Consolidated Financial Statements.
- (3) During the first, second, and third quarters of fiscal 2018, the Company recorded \$53.1 million, \$53.7 million, and \$55.4 million, respectively, of amortization expenses related to intangible assets. See [Note 5](#) of the Notes to Consolidated Financial Statements.
- (4) During the first, second, and fourth quarters of fiscal 2017, the Company recorded \$2.5 million, \$0.9 million, and \$5.6 million, respectively, of restructuring charges. See [Note 11](#) of the Notes to Consolidated Financial Statements.
- (5) During the first, second, third and fourth quarters of fiscal 2017, the Company recorded \$48.2 million, \$49.4 million, \$48.4 million, and \$49.2 million, respectively, of amortization expenses related to intangible assets. See [Note 5](#) of the Notes to Consolidated Financial Statements.
- (6) In the second quarter of fiscal 2017, the Company recorded \$12.0 million of litigation and proxy related expenses in connection with a shareholder related matter.
- (7) During the fourth quarter of fiscal 2017, the Company recorded an impairment charge of \$51.2 million related to its investment in Enovix, a privately held company.

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 is 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 our 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 as of December 30, 2018 our disclosure controls and procedures were effective at the reasonable assurance level.

Remediation of Previously Disclosed Material Weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We previously identified and disclosed in our Form 10-K for the year ended December 31, 2017, as well as in our Forms 10-Q for each interim period in fiscal 2018, a material weakness in our internal control over financial reporting related to the calculation of stock-based compensation expense. Specifically, we had not designed internal controls at a precision level sufficient to detect errors in certain assumptions and calculations used in the determination of non-cash stock-based compensation primarily relating to Employee Stock Purchase Program ("ESPP").

Throughout fiscal 2018, we implemented changes to our processes to improve our internal control over financial reporting to remediate the control deficiency that gave rise to the material weakness. Specifically, we implemented the following changes and improvements:

- Redesigned controls over the evaluation of assumptions and detailed calculations relating to the ESPP and expanded control activities to adequately reconcile and validate assumptions in the models used to determine non-cash stock-based compensation expense;
- Re-evaluated the design of stock-based compensation processes and implemented new and improved processes and controls, as appropriate, including adding supplemental oversight and review; and
- Strengthened the precision of the internal review process to ensure the completeness and accuracy of the assumptions and calculations used in accounting for stock-based compensation.

Upon completion of our testing of the design and operating effectiveness of these new control procedures, management concluded that the previously-identified material weakness was remediated as of December 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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) under the Exchange Act. Our 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. Our internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated 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.

Management assessed the effectiveness of our internal control over financial reporting as of December 30, 2018. Management based this assessment on criteria described in "Internal Control - Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management determined that as of December 30, 2018, we maintained effective internal control over financial reporting.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, who audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of December 30, 2018, as stated in their report which appears under Item 8 of this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Annual Report. We intend to file a definitive proxy statement pursuant to Regulation 14A 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 as stated below.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item concerning directors is incorporated by reference to the information set forth in the section titled "Proposal One - Election of Directors" in our Proxy Statement for the 2019 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 30, 2018 (the "2019 Proxy Statement").

The information required by this item concerning delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference to the information set forth in the section titled "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2019 Proxy Statement.

The information required by this item concerning executive officers is incorporated by reference to Item 1 of this Annual Report.

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.

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 2019 Proxy Statement.

The information required by this item concerning compensation of directors is incorporated by reference to the information set forth in the section titled "Director Compensation" in our 2019 Proxy Statement.

The information required by this item concerning our compensation committee is incorporated by reference to 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 2019 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 to the information set forth in the section titled "Security Ownership of Certain Beneficial Owners and Management" in our 2019 Proxy Statement.

The information required by this item regarding our equity compensation plans is incorporated by reference to the information set forth in the section titled "Securities Authorized for Issuance under Equity Compensation Plans" in our 2019 Proxy Statement.

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 to 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 2019 Proxy Statement.

The information required by this item concerning director independence is incorporated by reference to the information set forth in the section titled "Corporate Governance" in our 2019 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item concerning fees and services is incorporated by reference to the information set forth in the section titled "Proposal Two—Ratification of the Selection of Independent Registered Public Accounting Firm" in our 2019 Proxy Statement.

The information required by this item regarding the audit committee's pre-approval policies and procedures is incorporated by reference to the information set forth in the section titled "Proposal Two—Ratification of the Selection of Independent Registered Public Accounting Firm" in our 2019 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:

| | Page |
|---|-------------|
| <u>Consolidated Balance Sheets as of December 30, 2018 and December 31, 2017</u> | 54 |
| <u>Consolidated Statements of Operations for the years ended December 30, 2018, December 31, 2017 and January 1, 2017</u> | 55 |
| <u>Consolidated Statements of Comprehensive Income (Loss)</u> | |
| <u>Consolidated Statements of Stockholders' Equity</u> | 56 |
| <u>Consolidated Statements of Cash Flows</u> | 57 |
| <u>Notes to Consolidated Financial Statements</u> | 59 |

2. Financial Statement Schedule (Valuation and Qualifying Accounts) for the years ended December 30, 2018, December 31, 2017 and January 1, 2017:

| | Page |
|--|-------------|
| <u>Schedule II—Valuation and Qualifying Accounts</u> | 123 |

3. Exhibits:

The documents listed below are filed (or furnished, as noted) as exhibits to this Annual Report on Form 10-K:

EXHIBIT INDEX

Incorporated by Reference to:

| Exhibit Number | Exhibit Description | Form* | Filing Date | Exhibit | Filed Herewith |
|----------------|--|-------|-------------|---------|----------------|
| 2.1 | <u>Agreement and Plan of Merger and Reorganization, dated December 1, 2014, between Cypress Semiconductor Corporation and Spansion Inc.</u> | 8-K | 2014-12-01 | 2.1 | |
| 2.2 | <u>Asset Purchase Agreement by and between Broadcom Corporation as Seller and Cypress Semiconductor Corporation as Buyer dated as of April 28, 2016.</u> | 10-Q | 2016-05-10 | 10.1 | |
| 2.3 | <u>Joint Venture Agreement, dated October 23, 2018, between Cypress Semiconductor Corporation and SK hynix system ic Inc.</u> | | | | X |
| 3.1.1 | Second Restated Certificate of Incorporation of Cypress Semiconductor Corporation, dated June 12, 2000 (included in Exhibit 3.1.2 below) | | | | |
| 3.1.2 | <u>Amendment, dated March 23, 2017, to Second Restated Certificate of Incorporation of Cypress Semiconductor Corporation.</u> | 10-Q | 2017-05-02 | 3.1 | |
| 3.2 | <u>Amended and Restated Bylaws of Cypress Semiconductor Corporation (effective September 21, 2017).</u> | 8-K | 2017-09-25 | 3.1 | |
| 4.1.1 | Form of 2% Spansion Exchangeable Note due 2020 (included in exhibit 4.1.2 below). | | | | |

| | | | | |
|---------|--|---------|------------|------|
| 4.1.2 | Indenture, dated August 26, 2013, among Spansion LLC, other parties thereto, and Wells Fargo Bank, National Association, as trustee. | 8-K (a) | 2013-08-26 | 4.1 |
| 4.1.3 | Supplemental Indenture, dated March 12, 2015, among Spansion LLC, Cypress Semiconductor Corporation, other parties thereto, and Wells Fargo Bank, National Association, as trustee. | 8-K | 2015-03-12 | 4.1 |
| 4.2.1 | Form of 4.50% Senior Exchangeable Note due 2022 (included in Exhibit 4.2.2 below). | | | |
| 4.2.2 | Indenture, dated June 23, 2016, by and between Cypress Semiconductor Corporation and U.S. Bank National Association, as trustee. | 8-K | 2016-06-23 | 4.1 |
| 4.3 | Form of Capped Call Transaction Confirmation Letter (entered into in 2016 in connection with the 2022 Notes). | 10-Q | 2016-08-09 | 4.1 |
| 4.4.1 | Form of 2.00% Senior Convertible Note due 2023 (included in Exhibit 4.4.2 below). | | | |
| 4.4.2 | Indenture, dated November 6, 2017, between Cypress Semiconductor Corporation and U.S. Bank National Association, as trustee. | 8-K | 2017-11-06 | 4.1 |
| 10.1.1 | Amended and Restated Credit and Guaranty Agreement, dated as of March 12, 2015, among Cypress Semiconductor Corporation, the guarantors party thereto, the lenders 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 (included as Annex III to Exhibit 10.1.2 below). | | | |
| 10.1.2 | Amendment and Restatement Agreement, dated as of March 12, 2015, among Cypress Semiconductor Corporation, certain of its subsidiaries, the lenders party thereto, and Morgan Stanley Senior Funding, Inc., as administrative agent. | 8-K | 2015-03-12 | 10.1 |
| 10.1.3 | Amended and Restated Pledge and Security Agreement, dated March 12, 2015, among, Cypress Semiconductor Corporation, the grantors party thereto, and Morgan Stanley Senior Funding, Inc., as collateral agent. | 8-K | 2015-03-12 | 10.3 |
| 10.1.4 | Amendment No. 1, dated October 20, 2015, to Amended and Restated Credit and Guaranty Agreement. | 10-Q | 2015-11-05 | 10.4 |
| 10.1.5 | Joinder Agreement dated December 22, 2015. | 8-K | 2016-01-11 | 10.1 |
| 10.1.6 | Incremental Revolving Joinder Agreement dated as of January 6, 2016. | 8-K | 2016-01-11 | 10.2 |
| 10.1.7 | Amendment No. 2, dated March 23, 2016, to Amended and Restated Credit and Guaranty Agreement. | 10-Q | 2016-05-10 | 10.3 |
| 10.1.8 | Amendment No. 3, dated April 27, 2016, to Amended and Restated Credit and Guaranty Agreement. | 10-Q | 2016-05-10 | 10.4 |
| 10.1.9 | Term Loan B Commitment Letter for the Broadcom transaction (Project Le Cose), dated April 28, 2016. | 10-Q | 2016-05-10 | 10.2 |
| 10.1.10 | Joinder and Amendment Agreement, dated July 5, 2016. | 8-K | 2016-07-05 | 10.1 |
| 10.1.11 | Amendment No. 4, dated February 17, 2017, to Amended and Restated Credit and Guaranty Agreement. | 8-K | 2017-02-21 | 10.1 |
| 10.1.12 | Amendment No. 5, dated April 7, 2017, to Amended and Restated Credit and Guaranty Agreement. | 8-K | 2017-04-10 | 10.1 |
| 10.1.13 | Joinder Agreement and Amendment No. 6, dated August 18, 2017, to Amended and Restated Credit and Guaranty Agreement. | 8-K | 2017-08-18 | 10.1 |

| | | | | | |
|---------|--|---------|------------|-------|---|
| 10.1.14 | Amendment No. 7, dated March 12, 2018, to Amended and Restated Credit and Guaranty Agreement. | 8-K | 2018-03-15 | 10.1 | |
| 10.1.15 | Amendment No. 8, dated September 13, 2018, to Amended and Restated Credit and Guaranty Agreement. | 8-K | 2018-09-17 | 10.1 | |
| 10.2.1+ | 2013 Stock Plan, as amended and restated effective June 20, 2017. | 10-Q | 2017-07-28 | 10.1 | |
| 10.2.2+ | Amendment, dated February 16, 2018, to the 2013 Stock Plan. | 10-Q | 2018-04-30 | 10.3 | |
| 10.2.3+ | Form of Restricted Stock Unit Agreement and related notice of grant under the 2013 Stock Plan (in use 2015-2018). | 10-Q | 2015-11-05 | 10.2 | |
| 10.2.4+ | Form of Restricted Stock Unit Agreement, and related notice of grant, under the 2013 Stock Plan (in use starting November 2018). | | | | X |
| 10.2.5+ | Form of Milestone-Based Restricted Stock Unit Agreement, and related notice of grant, under the 2013 Stock Plan (in use starting November 2018). | | | | X |
| 10.3.1+ | 2010 Equity Incentive Award Plan, as amended and restated effective August 5, 2016. | | | | X |
| 10.3.2+ | Form of Restricted Stock Unit Agreement and related notice of grant under the 2010 Stock Plan (in use starting November 2018). | | | | X |
| 10.3.3+ | Form of Milestone-Based Restricted Stock Unit Agreement and related notice of grant under the 2010 Stock Plan (in use starting November 2018). | | | | X |
| 10.4.1+ | 2012 Incentive Award Plan, as amended and restated on November 19, 2012. | S-8 (b) | 2012-12-12 | 10.4 | |
| 10.4.2+ | Amendment, dated February 16, 2018, to the 2012 Incentive Award Plan. | 10-Q | 2018-04-30 | 10.2 | |
| 10.5+ | 1999 Non-Statutory Stock Option Plan, as amended and restated September 30, 2008. | S-8 (c) | 2008-10-27 | 10.2 | |
| 10.6.1+ | Employee Stock Purchase Plan, as amended and restated effective January 1, 2019. | S-8 (d) | 2018-06-20 | 4.3 | |
| 10.6.2+ | Form of Employee Stock Purchase Plan Subscription Agreement. | S-8 (d) | 2018-06-20 | 4.4 | |
| 10.7.1+ | Non-Qualified Deferred Compensation Plan I, as amended and restated effective January 1, 2018. | | | | X |
| 10.7.2+ | Non-Qualified Deferred Compensation Plan II, as amended and restated effective January 1, 2018. | | | | X |
| 10.7.3+ | Non-Qualified Pre-2005 Deferred Compensation Plan I. | | | | X |
| 10.7.4+ | Non-Qualified Pre-2005 Deferred Compensation Plan II. | | | | X |
| 10.8+ | Cypress Incentive Plan (executive annual cash bonus plan) Summary Description. | 8-K | 2016-02-25 | | |
| 10.9.1+ | Hassane El-Khoury Employment Offer Letter, dated August 10, 2016. | 8-K | 2016-08-12 | 10.1 | |
| 10.9.2+ | Hassane El-Khoury Employment Agreement, dated November 30, 2016. | 10-K | 2017-03-01 | 10.41 | |
| 10.9.3+ | Hassane El-Khoury Amended and Restated Employment Agreement, dated December 3, 2018. | 8-K | 2018-12-03 | 10.2 | |
| 10.10+ | Thad Trent Employment Offer Letter, dated September 20, 2005 | | | | X |

| | | | | | |
|---------|--|-----|------------|------|---|
| 10.11+ | Sam Geha Employment Offer Letter, dated October 27, 1995 | | | | X |
| 10.12+ | Sudhir Gopalswamy Employment Offer Letter, dated February 26, 2008 | | | | X |
| 10.13+ | Pamela Tondreau Employment Offer Letter, dated January 15, 2015 | | | | X |
| 10.14+ | Form of Amended and Restated Change of Control Severance Agreement (between the Company and its named executive officers other than the CEO). | 8-K | 2018-12-03 | 10.1 | |
| 10.15 | Mutual Release Agreement, dated as of June 11, 2017, between the Company and H. Raymond Bingham. | 8-K | 2017-06-12 | 10.1 | |
| 10.16 | Cooperation and Settlement Agreement, dated June 30, 2017, between the Company, TJ Rodgers, and the Rodgers parties named therein. | 8-K | 2017-07-06 | 10.1 | |
| 21.1 | Subsidiaries of Cypress Semiconductor Corporation. | | | | X |
| 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(e) | 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(e) | 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.INS | XBRL Instance 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 |

* Unless otherwise noted, Commission File Number for incorporated documents is 001-10079.

+ Management contract or compensatory plan or arrangement.

(a) Filed by Spansion, Inc., Commission File Number 001-34747.

(b) Form S-8 filed 2012-12-12 Commission File Number is 333-185439.

(c) Form S-8 filed 2008-10-27 Commission File Number is 333-154748.

(d) Form S-8 filed 2018-06-20 Commission File Number is 333-225759.

(e) Exhibits 32.1 and 32.2 are 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.

ITEM 16. FORM 10-K SUMMARY

None.

**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS**

| | Balance at Beginning of Period | Additions Charged to Expenses or Other Accounts | Deductions Credited to Expenses or Other Accounts | Balance at End of Period |
|---|---|--|--|---|
| (In thousands) | | | | |
| Allowance for doubtful accounts receivable: | | | | |
| Year ended December 30, 2018 | \$ 1,028 | \$ — | \$ (124) | \$ 904 |
| Year ended December 31, 2017 | \$ 1,028 | \$ — | \$ — | \$ 1,028 |
| Year ended January 1, 2017 | \$ 1,189 | \$ 490 | \$ (651) | \$ 1,028 |
| Deferred tax valuation allowance | | | | |
| Year ended December 30, 2018 | \$ 513,191 | \$ — | \$ (354,656) (1) | \$ 158,535 |
| Year ended December 31, 2017 | \$ 445,030 | \$ 68,161 | \$ — | \$ 513,191 |
| Year ended January 1, 2017 | \$ 512,975 | \$ — | \$ (67,945) | \$ 445,030 |

- (1) Includes the 2018 change in valuation allowance previously recorded primarily related to certain federal and state deferred tax assets of \$343.3 million that management has determined more likely than not to be realized.

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: February 27, 2019

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.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|-------------------|
| /s/ HASSANE EL-KHOURY Hassane El-Khoury | President, Chief Executive Officer and Director (Principal Executive Officer) | February 27, 2019 |
| /s/ THAD TRENT Thad Trent | Executive Vice President, Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer) | February 27, 2019 |
| /s/ W. STEVE ALBRECHT W. Steve Albrecht | Chairman of the Board of Directors | February 27, 2019 |
| /s/ OH CHUL KWON Oh Chul Kwon | Director | February 27, 2019 |
| /s/ CATHERINE P. LEGO Catherine P. Lego | Director | February 27, 2019 |
| /s/ CAMILLO MARTINO Camillo Martino | Director | February 27, 2019 |
| /s/ J. DANIEL MCCRANIE J. Daniel McCranie | Director | February 27, 2019 |
| /s/ JEFFREY J. OWENS Jeffrey J. Owens | Director | February 27, 2019 |
| /s/ JEANNINE P. SARGENT Jeannine P. Sargent | Director | February 27, 2019 |
| /s/ MICHAEL S. WISHART Michael S. Wishart | Director | February 27, 2019 |

JOINT VENTURE AGREEMENT

This JOINT VENTURE AGREEMENT ("Agreement") is made as of October 23, 2018, by and between SK hynix system ic Inc., a company organized under the laws of the Republic of Korea ("SKHYSI"), and Cypress Semiconductor Corporation, a Delaware corporation ("Cypress"). SKHYSI and Cypress are hereinafter also referred to together as the "Parties" and individually as a "Party."

RECITALS

- (A) SKHYSI is a manufacturer and seller of semiconductor devices and a wholly-owned subsidiary of SK hynix Inc., a company organized under the laws of the Republic of Korea ("SKH").
- (B) Cypress is a manufacturer and seller of advanced embedded system solutions for automotive, industrial, home automation and appliances, consumer electronics and medical products.
- (C) The Parties desire to form a joint venture to pursue the Business, as hereafter defined.

NOW THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. Definitions

- 1.1 "Affiliate" means any Person: (a) that is controlled by, controls, or is under common control with a Party (collectively, a "Controlled Person"); or (b) that is controlled by, controls, or is under common control with any such Controlled Person, in each case for so long as such control continues. For purposes of this definition, "control" shall mean the possession, directly or indirectly, of more than fifty percent (50%) of voting securities in such Controlled Person. Notwithstanding anything herein to the contrary, unless specifically provided for herein, neither SKH nor any of its direct or indirect subsidiaries, other than SKHYSI, shall be deemed to be an Affiliate of the Company.
- 1.2 "Applicable Law" means, as to any Person, any statute, law, rule, regulation, directive, treaty, judgment, order, decree or injunction of any Governmental Authority that is applicable to or binding upon such Person or any of its properties.
- 1.3 "Articles" means the articles of association of the Company substantially in the form of attached Exhibit 1.3, as amended from time to time.

- 1.4 “Back-End Manufacturing Agreement” means the Manufacturing Agreement to be entered into between Cypress’s Thailand subsidiary (“Cypress Thailand”) and the Company containing at a minimum the terms specified in Exhibit 1.4.
- 1.5 “Bill of Sale” means the Bill of Sale to be entered into between Cypress and the Company substantially in the form of attached Exhibit 1.5, pursuant to which Cypress will transfer the Cypress NAND Assets to the Company.
- 1.6 “Board” means the board of directors of the Company.
- 1.7 “Business Day” means a day on which commercial banks in Hong Kong, San Francisco and Seoul are generally open to conduct their regular banking business.
- 1.8 “CFIUS” means the Committee on Foreign Investment in the United States and each member agency thereof, acting in such capacity.
- 1.9 “CFIUS Clearance” means (i) the reasonable consensual conclusion of SKHYSI and Cypress that none of the transactions contemplated hereunder are a “covered transaction” and are not subject to review under Section 721 of the DPA; (ii) CFIUS has issued a written notice that it has completed a review or investigation of the notification voluntarily provided pursuant to the DPA with respect to the transactions contemplated by this Agreement, and has concluded all action under the DPA; or (iii) if CFIUS has sent a report to the President of the United States requesting the President’s decision and (x) the President has announced a decision not to take any action to suspend or prohibit the transactions contemplated by this Agreement or (y) having received a report from CFIUS requesting the President’s decision, the President has not taken any action after fifteen (15) days from the date the President received such report from CFIUS.
- 1.10 “Class A Ordinary Share” means an ordinary share in the share capital of the Company which, subject to the provisions of the Companies Ordinance, shall receive dividends as and when they are declared in accordance with Section 5.7 as further set forth in the Company’s Articles.
- 1.11 “Class B Ordinary Share” means an ordinary share in the share capital of the Company which, subject to the provisions of the Companies Ordinance, shall receive dividends as and when they are declared in accordance with Section 5.7 and shall have the additional right to receive a further dividend as set out in Section 4.1, each as further set forth in the Company’s Articles and this Agreement.
- 1.12 “Companies Ordinance” means the Companies Ordinance, Cap. 622 of the Laws of Hong Kong, as may be amended from time to time.
- 1.13 “Companies Registry” means the Hong Kong Companies Registry.

- 1.14 “Company” is defined in Section 3.1(a).
- 1.15 “Company Interest” means, as to any Person, the percentage interest represented by the Securities then held by such Person divided by all then outstanding Securities (on an as-converted to Share basis and, to the extent warrants or options to purchase Securities have vested, as-exercised for Share basis).
- 1.16 “CY Volume” means the 5,000 Wafers per month to be supplied by SKH to Cypress or its Affiliate until 11:59 p.m. (Hong Kong Time) on December 31, 2020 under the NAND Supply Agreement, dated as of October 1, 2016, or any other supplementary agreement thereto by and between SKH and Cypress.
- 1.17 “Cypress NAND Assets” means the assets specified in Exhibit 1.17.
- 1.18 “Cypress Transition Services Agreement” means the Transition Services Agreement to be entered into between Cypress and the Company, pursuant to which Cypress will provide the Company with the services specified in Exhibit 1.18 as amended from time to time.
- 1.19 “Director” means a director of the Company with the powers and duties specified in the Companies Ordinance and the Articles.
- 1.20 “DPA” means the Defense Production Act of 1950, as amended (50 U.S.C. § 4565), and all rules and regulations thereunder, including those codified at 31 C.F.R. Part 800 et seq.
- 1.21 “Governmental Authority” means any domestic or foreign government, governmental authority, court, tribunal, agency or other regulatory, administrative or judicial agency, commission or organization, and any subdivision, branch or department of any of the foregoing.
- 1.22 “HK\$” or “HK Dollars” means Hong Kong Dollars, the lawful currency of Hong Kong.
- 1.23 “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.
- 1.24 “Person” means a natural individual, Governmental Authority, partnership, firm, corporation, or other business association.
- 1.25 “Securities” means all issued Shares, and any other equity securities of the Company or instruments exercisable for or convertible into Shares.
- 1.26 “Shares” means the Class A Ordinary Shares and Class B Ordinary Shares.
- 1.27 “Shareholder” means any Person registered in the books of the Company as the holder of a Share for the time being.

- 1.28 “Signing Date” means the date of this Agreement.
- 1.29 “SKH New Supply Agreement” means the supply agreement to be entered into between SKH and the Company.
- 1.30 “Transaction Documents” means this Agreement, the Articles, the Back-End Manufacturing Agreement, the Cypress Transition Services Agreement, the SKH New Supply Agreement and the Bill of Sale.
- 1.31 “US\$” or “US Dollars” means the lawful currency of the United States of America.

2. Purpose of Joint Venture

The Parties hereby associate themselves in a joint venture relationship which shall have as its principal purpose the business of developing, manufacturing, selling and distributing NAND products and other related products and services using Large Scale NAND Wafers (“Wafers”) supplied by SKH (the “Business”).

3. Establishment and Launch of the Company

3.1 Establishment.

- (a) The Parties agree that the joint venture contemplated by this Agreement shall be carried out exclusively through a newly-formed private company limited by shares in Hong Kong in accordance with the laws of Hong Kong (the “Company”) for the purpose of conducting the Business.
- (b) The Company’s corporate name shall be “*SkyHigh Memory Limited.*” The registered office of the Company shall be located in Hong Kong at the address determined by the Board. The Company shall be a legal person established under the laws of Hong Kong, and all activities of the Company shall be done in accordance with the laws, decrees, rules and regulations of Hong Kong, while at the same time shall be protected thereunder and receive the privileges thereunder.
- (c) SKHYSI shall use commercially reasonable efforts to cause the Company to be formed promptly following the receipt of all required approvals and consents (including without limitation from any applicable Governmental Authority or other third party) in connection with such formation. Cypress shall provide such assistance as SKHYSI may reasonably request in connection with the formation of the Company. The date on which SKHYSI receives confirmation from the Companies Registry that the Company has been validly formed is referred to in the Agreement as the “Establishment Date”.

- (d) The Company shall initially be a wholly-owned subsidiary of SKHYSI. Upon the final receipt of all Required Approvals (as defined below), the initial articles of association of the Company shall be amended in its entirety and the Articles shall be the articles of association of the Company. Cypress shall thereafter subscribe for the Shares as provided in Section 3.2. The Parties hereby agree that the Company shall not undertake any business operations, nor shall any offer of employment made by the Company be effective, in advance of the Launch Time (as defined below). For avoidance of doubt, (i) Cypress shall be entitled to subscribe for Shares only upon receipt of the Required Approvals and (ii) the Company shall not issue any Shares or other securities prior to the Launch Time other than as expressly provided for in Section 3.2 below.

3.2 Subscriptions.

- (a) The total number of Shares that the Company shall issue following the Establishment Date is one thousand (1,000), of which six hundred (600) shall be Class A Ordinary Shares and four hundred (400) shall be Class B Ordinary Shares.
- (b) Within ten (10) Business Days of the Establishment Date, SKHYSI shall subscribe for six hundred (600) Class A Ordinary Shares (such time, the “SKHYSI Subscription Time”) by signing the relevant applications for Shares and paying to the Company *US\$600* in cash. Immediately following the SKHYSI Subscription Time, the capitalization of the Company on a fully diluted basis shall be as follows:

| Name of Shareholders | Number of Shares subscribed | Percentage of Shareholding |
|----------------------|--|----------------------------|
| SKHYSI | Six hundred (600) Class A Ordinary Shares | 100% |
| Total: | Six hundred (600) Shares | 100% |

Promptly after the SKHYSI Subscription Time, SKHYSI shall cause the Company, to the maximum extent permitted by all Applicable Law, (i) to deliver to SKHYSI its written acknowledgment of, and agreement to abide by, the terms of this Agreement, and (ii) to issue and deliver to SKHYSI a share certificates representing the Shares subscribed for pursuant to this Section 3.2(b), which certificate shall comply with the provisions of Section 9.2.

- (c) Thereafter, within ten (10) Business Days of the amendment of the Company’s articles of association as provided in Section 3.1(d), Cypress shall subscribe for four hundred (400) Class B Ordinary Shares (such time, the “Cypress Subscription Time”) by signing the relevant applications for

Shares and paying to the Company US\$400 in cash. Immediately following the Cypress Subscription Time, the capitalization of the Company on a fully diluted basis shall be as follows:

| Name of Shareholders | Number of Shares subscribed | Percentage of Shareholding |
|----------------------|---|----------------------------|
| SKHYSI | Six hundred (600) Class A Ordinary Shares | 60% |
| Cypress | Four hundred (400) Class B Ordinary Shares | 40% |
| Total: | One thousand (1,000) Shares | 100% |

Promptly after the Cypress Subscription Time, the Parties shall cause the Company, to the maximum extent permitted by all Applicable Law, (i) to deliver to Cypress its written acknowledgment of, and agreement to abide by, the terms of this Agreement, and (ii) to issue and deliver to Cypress a share certificate representing the Shares subscribed for pursuant to this Section 3.2(c), which certificate shall comply with the provisions of Section 9.2.

- (d) Each Party shall fully pay the subscription price for the Shares subscribed by it pursuant to this Agreement in US Dollars to an account to be opened by the Company with a bank in Hong Kong using best efforts to open such account within twenty (20) days of the SKHYSI Subscription Time, unless otherwise directed by resolution of a majority of the Board. The Company shall use all or substantial portion of the subscription monies paid by the Parties pursuant to this Section 3.2 as initial working capital of the Company.

3.3 Required Approvals.

- (a) Subject to subsections (b) and (c) below, the Parties shall be jointly responsible for obtaining such approvals (including the CFIUS Clearance), consents, business licenses and similar actions from Governmental Authorities or third parties as may be necessary or appropriate in order to promptly consummate the transactions, and to thereafter conduct the Business as contemplated by the Transaction Documents (collectively, the “Required Approvals”).
- (b) SKHYSI shall be primarily responsible for obtaining all approvals, consents, business licenses and similar actions in connection with the establishment of the Company. Cypress shall provide such assistance as SKHYSI may reasonably request in connection with the foregoing.
- (c) Cypress shall be primarily responsible for obtaining all third party approvals required to effect the contribution of the Cypress NAND Assets

(the “Asset Transfer Approvals”). SKHYSI shall provide such assistance as Cypress may reasonably request in connection with the Asset Transfer Approvals.

- (d) The Parties shall use commercially reasonable efforts to as promptly as practicable prepare and file all necessary applications, reports and similar documents in connection with the respective Required Approvals.
- (e) Such commercially reasonable efforts shall include, without limitation, promptly making any draft filing required in connection with the CFIUS Clearance in accordance with the DPA, promptly making any final filing in connection with the CFIUS Clearance and in accordance with the DPA after receipt of confirmation that CFIUS has no further comment to the draft filing, and providing any information reasonably requested by CFIUS or any other agency or branch of the U.S. government in connection with the CFIUS review or investigation of the transactions contemplated by this Agreement within the timeframes set forth in the DPA.
- (f) Such commercially reasonable efforts shall also include, without limitation, efforts to file, as soon as practicable after the date of this Agreement, all notices, reports and other documents required to be filed by such Party with any Governmental Authority (other than those subject to Section 3.3(e)) with respect to the transactions contemplated by this Agreement, and to submit promptly any additional information requested by any such Governmental Authority. The Parties shall respond as promptly as practicable to any inquiries or requests received from any state attorney general, antitrust authority or other Governmental Authority in connection with antitrust or related matters. The Parties each shall promptly supply the other with any information which may be reasonably required in order to effectuate any filings (including applications) pursuant to (and to otherwise comply with its obligations set forth in) this Section 3.3(f). Except where prohibited by Applicable Law or any Governmental Authority, the Parties shall: (i) cooperate with each other with respect to any filings made by each Party in connection with the transactions contemplated herein; (ii) permit the other Party to review (and consider in good faith the views of such other Party in connection with) any documents before submitting such documents to any Governmental Authority in connection with the transactions contemplated herein; and (iii) promptly provide the other Party with copies of all filings, notices and other documents (and a summary of any oral presentations) made or submitted by such Party with or to any Governmental Authority in connection with the transactions contemplated herein.

- (g) The Parties shall each be responsible for 50% of all filing fees and external legal costs required to be paid in connection with the Required Approvals.
- (h) The Parties agree that commercially reasonable efforts regarding obtaining CFIUS Clearance or any other Required Approval include agreeing to any condition, restriction or other action required by CFIUS or any applicable Governmental Authority in order to obtain the CFIUS Clearance or such Required Approval that would not otherwise result in an adverse effect on the Company that is material. Notwithstanding the forgoing or anything to the contrary contained in this Section 3.3 or elsewhere in this Agreement, neither Party shall have any obligation under this Agreement to, or to agree to (or to cause or permit any of its Affiliates or the Company (except to the extent not adverse and material to the Company) to, or to agree to): (i) relinquish or forbear any right; (ii) divest, limit or restrict any business, product line or asset or the operation or use of any of the foregoing; (iii) take any affirmative action or accept any undertaking or affirmative obligation with respect to any business, product line or asset or the operation or use of any of the foregoing; or (iv) contest any Legal Restraint relating to the transactions contemplated by this Agreement.

3.4 Conditions to Launch.

- (a) Mutual Conditions. The respective obligation of SKHYSI and Cypress to effect the Launch (as defined below) is subject to the satisfaction or, to the extent permitted by Applicable Law, the waiver by each Party on or prior to the Launch Time of each of the following conditions:
 - (i) All Required Approvals (including, in each case, the expiration or termination of the waiting periods (and any extensions thereof) applicable to the Launch and the transactions contemplated by the Transaction Documents) shall have been obtained and shall have become Final Orders. As used in this Agreement, a “Final Order” means an action by the relevant Governmental Authority that has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by Applicable Law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions (other than any conditions that are within the control of any Party to satisfy, which conditions shall promptly be satisfied by such Party) to the consummation of such transactions prescribed by Applicable Law or order have been satisfied.
 - (ii) No Applicable Law and no judgment, preliminary, temporary or permanent, issued by any court or tribunal of competent jurisdiction (collectively, “Legal Restraints”) shall be in effect, and

no suit, action or other proceeding that has been initiated by a Governmental Authority having jurisdiction over SKHYSI, Cypress or the Company shall be pending, in which such Governmental Authority seeks to impose, or has imposed, any Legal Restraint, in each case that, prevents, makes illegal or prohibits the consummation of the Launch or the transactions contemplated by the Transaction Documents.

- (iii) The NAND Supply Agreement, dated as of October 1, 2016, between SKH and Cypress shall have been terminated, effective as of the Launch Time.
 - (iv) SKH shall have executed and delivered to the Company the SKH New Supply Agreement, reasonably acceptable to both SKHYSI and Cypress, in escrow to be released at the Launch Time.
 - (v) The Parties shall have caused the Company to (A) execute and deliver to Cypress Thailand the Back-End Manufacturing Agreement, (B) execute and deliver to Cypress the Cypress Transition Services Agreement, (C) execute and deliver to SKH the SKH New Supply Agreement and (D) execute and deliver to Cypress the Bill of Sale, in each case in escrow to be released at the Launch Time.
 - (vi) The following minimum number of employees shall have accepted offers of employment from the Company or a wholly owned subsidiary of the Company, subject to beginning such employment no earlier than the Launch Time:
 - A. At least three (3) marketing/applications employees,
 - B. At least three (3) product/test engineering employees, and
 - C. At least six (6) sales/field application engineering employees.
- (b) Cypress Conditions. The obligation of Cypress to effect the Launch is further subject to the satisfaction or, to the extent permitted by Applicable Law, the waiver by Cypress on or prior to the Launch Time of each of the following condition:
- (i) The representations and warranties of SKHYSI contained in this Agreement shall be true and correct in all material respects at and as of the Launch Date as if made at and as of such date (except to the extent expressly made as of an earlier date, in which case as of such earlier date). Cypress shall have received a certificate signed

on behalf of SKHYSI by an executive officer of SKHYSI to such effect.

- (ii) The Company shall not have taken or approved any actions that would have required special consent of the Board pursuant to Section 5.6 had it been in effect at such time.
 - (c) SKHYSI Conditions. The obligation of SKHYSI to effect the Launch is further subject to the satisfaction or, to the extent permitted by Applicable Law, the waiver by SKHYSI on or prior to the Launch Time of each of the following conditions:
 - (i) The representations and warranties of Cypress contained in this Agreement shall be true and correct in all material respects at and as of the Launch Date as if made at and as of such date (except to the extent expressly made as of an earlier date, in which case as of such earlier date). SKHYSI shall have received a certificate signed on behalf of Cypress by an executive officer of Cypress to such effect.
 - (ii) Cypress shall have caused Cypress Thailand to execute and deliver to the Company the Back-End Manufacturing Agreement in escrow to be released at the Launch Time.
 - (iii) Cypress shall have executed and delivered to the Company each of the Cypress Transition Services Agreement and the Bill of Sale, in each case in escrow to be released at the Launch Time.
- 3.5 The Launch. The Transaction Documents (other than this Agreement and the Articles) shall become effective (the “Launch”, and such time, the “Launch Time”) on a date to be specified by SKHYSI and Cypress, which shall be no later than the third Business Day following the satisfaction or (to the extent permitted by Applicable Law) waiver by the Party or Parties entitled to the benefits thereof of the conditions set forth in Section 3.4 (other than those conditions that by their nature are to be satisfied at the Launch, but subject to the satisfaction or (to the extent permitted by Applicable Law) waiver of those conditions), or at such other place, time and date as may be agreed in writing between SKHYSI and Cypress. As soon as practicable following the Launch Time, each Party shall receive one original of each of the fully executed Transaction Documents.
- 3.6 Additional Capital Contributions.
- (a) At or within one (1) Business Day following the Launch Time, SKHYSI shall contribute and transfer to the Company (as share capital of Class A Ordinary Shares) *US\$3,599,400* in cash.

- (b) At or within one (1) Business Day following the Launch Time, Cypress shall contribute and transfer to the Company (as share capital of Class B Ordinary Shares) US\$2,399,600 in cash.
- (c) Neither Party shall receive any additional compensation, separate from that provided elsewhere in this Agreement, for contributing assets to the Company under this Section 3.6. Subject to Section 3.7 and Section 3.8, the Parties may make additional contribution in cash to the Company, including in proportion to the Parties' then current shareholding upon the agreement of the Parties in writing, in each case in their sole discretion.

3.7 **Preemptive Rights.** Following the Cypress Subscription Time, each Party shall at all times have a preemptive right to purchase a pro rata portion (equal to such Party's then-current Company Interest) of any new issuances of Shares or other Securities. The Company agrees to notify each Party in writing of any proposed new issuance of Securities to which such preemptive rights apply, no less than ten (10) Business Days in advance of such offering and setting forth the terms thereof. Each Party shall notify the other Party and the Company, within five (5) Business Days after receipt of such notice, of its decision to participate in any proposed new issuance of Securities (failure to so respond during such period constituting an election not to participate). In the event that a Party elects not to subscribe for such Party's full pro rata share of any newly issued Securities, the other Party shall be entitled to purchase any of the unsubscribed Securities.

3.8 **Financial Independence.** Except as may be otherwise agreed by the Parties, in writing, the Company shall be entirely self-financing and shall obtain all funds required for its operations without recourse to, or credit support provided by, either Party. In the event that either Party elects to provide a guarantee or other form of credit support to the Company, which it may elect to do or not to do in its sole discretion, such Party may condition such guarantee or credit support upon the written agreement of the other Party to reimburse a pro rata share of amount paid by such Party in respect thereof in proportion to such other Party's Company Interest.

4. **CY Amount**

4.1 **CY Amount.** For so long as Cypress beneficially owns Class B Ordinary Shares of the Company, the Company shall pay Cypress, on a quarterly basis in the manner as set out in Section 4.2 below, the "CY Amount," which shall be calculated pursuant to this Section 4.1. The CY Amount shall be paid in accordance with Section 4.2 below and shall be in addition to any dividend that may be paid pursuant to Section 5.7 and shall not be taken into account in determining Cypress's share of any dividend that may be paid pursuant to Section 5.7.

- (a) The CY Amount shall be profit from the sale of Company products manufactured using the CY Volume for the period beginning upon the Launch Time and ending at 11:59 p.m. (Hong Kong Time) on December 31, 2020 (the “CY Amount End Time”), as calculated in accordance with the formula set forth below.

The CY Amount for CY Volume =

Ⓐ x (Ⓓ / Ⓔ), where:

Ⓐ: Net income during a given quarter (which will be calculated in the same way as the accounting records of the Company).

Ⓓ: 15,000 CY Volume Wafers for such quarter

Ⓔ: Total number of Wafers the Company purchased from SKH, including the 15,000 CY Volume Wafers, in such given quarter

For clarification, the result of (Ⓓ / Ⓔ) based on the above formula shall not be more than one (1).

From the Launch Time until the CY Amount End Time, to the maximum extent possible, the Company shall use the CY Volume Wafers to satisfy demand from Existing Customers before using such Wafers to satisfy demand from other customers. For the purpose of the foregoing sentence, “Existing Customers” shall mean such customers that purchased Single-Level Cell NAND (“SLC”) products using Wafers from Cypress during ninety (90) calendar days prior to the Launch Time.

In addition, with respect to the sale of any carried-over CY Volume Wafers inventory as of the CY Amount End Time, the CY Amount will be calculated and paid in accordance with the above formula during January of 2021 and the Company will pay fifty percent (50%) of such amount incurred during January of 2021 to Cypress (“CY January Amount”).

- (b) Notwithstanding the foregoing, the total amount of “CY Amount” during each year will be finally adjusted and settled up based on calculation with the actual annual accounting records of the Company after the end of every fiscal year.
- (c) For avoidance of doubt, Cypress shall only be entitled to CY Amount payments calculated based only from sales occurring during the time period commencing upon the Launch Time and ending January 31, 2021.

- 4.2 Payment. The Company will pay Cypress an amount equal to the applicable CY Amount in US Dollars as follows:
- (a) To the maximum extent permitted by Applicable Law, the applicable CY Amount shall be paid to Cypress as a special dividend on Class B Ordinary Shares. The Company shall pay such dividend every quarter within thirty (30) days after the end of each quarter. Notwithstanding the foregoing, the Company shall not be considered in breach of this Section 4.2(a) if the delay in the payment of such dividend beyond such thirty (30) day period is due to the delay in obtaining a regulatory approval from Governmental Authority or in preparing the financial statements and such delay could not have been prevented by the Company using commercially reasonable efforts.
 - (b) If all or any portion of the applicable CY Amount is not paid pursuant to Section 4.2(a) above, any such unpaid CY Amount shall be paid by the Company to Cypress as soon as permitted by Applicable Law as agreed by the Parties in good faith.
- 4.3 Reporting. The Company will provide Cypress with monthly reporting for an estimate of the CY Amount no later than three (3) Business Days from the end of each calendar month. By the middle of the third month of each calendar quarter, the Company will also provide a “flash report” that provides an estimate of the CY Amount payment for the applicable quarter.

5. Operation and Management of the Company and any Company Subsidiary

- 5.1 Operation of the Company and any Company Subsidiary. Each Party agrees to take all actions reasonably necessary to ensure that the Company and any Company subsidiary shall be operated in accordance with the terms of this Agreement and the other Transaction Documents, including, without limitation, to vote all Securities held by it (and to cause all Securities held by its permitted Affiliate transferees under Section 9.1 to be voted) and to cause the Directors nominated by it to vote to effect the terms hereof.
- 5.2 Board of Directors. The Company will be managed by the Board in accordance with the terms of this Agreement and Applicable Law. The Board shall consist of either three (3) or five (5) Directors, to be mutually determined by the Parties in good faith. Unless otherwise agreed by the Parties in writing, (i) in the event that the Board consists of three (3) Directors, SKHYSI shall be entitled to nominate two (2) Directors, including the chairman of the Board, and Cypress shall be entitled to nominate one (1) Director, and (ii) in the event that the Board consists of five (5) Directors, SKHYSI shall be entitled to nominate three (3) Directors, including the chairman of the Board, and Cypress shall be entitled to nominate two (2) Directors. The Parties shall pass all such Shareholders’ resolutions, or shall cause its Director nominees to pass all such Board resolutions, to effect the

above-mentioned nominations so as to result in the actual appointments of the relevant Directors.

- 5.3 Removal; Reappointment of Directors. Any Director may be removed for cause in accordance with Applicable Law. In addition, subject to Applicable Law, each Party having the right to nominate a Director pursuant to this Section 5 shall also have the right, in its sole discretion, to suggest a removal of such Director at any time and in such an event, the Parties shall pass all such Shareholders' resolutions to effect the above-mentioned removal. In the case of a vacancy in the office of a Director for any reason (including removal pursuant to the preceding sentence), the vacancy shall be filled by the Party that nominated the Director in question and the Parties shall pass all such Shareholders' resolutions to effect the above-mentioned nomination. The Party suggesting a removal of a Director shall indemnify and reimburse the Company for any remuneration that may become due to such Director as a result of such removal.
- 5.4 Board Meetings. Each Director shall have the authority to convene Board meetings, including the authority to specify the time and place of such meetings. Directors shall attend Board meetings in person, provided, however, that (a) the Board shall meet at least once during each six (6)-month period and (b) written notice of all Board meetings shall be given not less than ten (10) Business Days in advance of each meeting (which period may be shortened by each Director either waiving such notice in writing or attending the applicable meeting without objection). Board meetings shall be conducted in English and minutes of such meetings shall be prepared by the Company in English and distributed to each Director promptly following each meeting. Proposals and reports brought before any Board meeting for information or action (including without limitation the Company's annual and quarterly financial statements) shall be prepared in English. The Company shall pay the reasonable travel expenses incurred by Directors in attending any Board meeting. Subject to Applicable Law and any contrary agreement between the Parties, (i) the venue of Board meetings will alternate among San Jose, California, Seoul and Hong Kong, and (ii) the first Board meeting following the Signing Date shall be held in San Jose, California. In addition, each Director shall be permitted to attend Board meetings by telephone or video-conferencing, in which case all participants shall be able to hear and be heard and shall be present from the commencement to the close of the Board meeting. A resolution in writing signed by all directors shall be as valid and effectual as if it had been passed at a duly convened meeting of the Board. Such resolution in writing may consist of one or several documents in identical terms.
- 5.5 Board Quorum; Resolutions. A quorum shall be deemed to exist for purposes of Board actions so long as at least two (2) Directors are present, including at least one (1) Director appointed by each Party. Any action, determination or resolution of the Board shall require the affirmative vote of a majority of Directors present at

a meeting at which a valid quorum pursuant to this Section 5.5 is present. If a quorum is not present at a duly noticed Board meeting under the first sentence of this Section 5.5, such meeting shall be immediately adjourned and rescheduled, solely relating to matters proposed to be discussed at the prior adjourned meeting, and notice of such rescheduled meeting shall be delivered to each Director not less than five (5) Business Days in advance of the rescheduled meeting. At such rescheduled meeting a quorum shall exist if at least two (2) Directors are present.

- 5.6 Special Consent of the Board. In addition to matters entrusted to the Board under Applicable Law and pursuant to the other provisions of this Agreement, any of the actions described in attached Exhibit 5.6 with respect to the Company or any Company subsidiary shall require the approval and consent of at least two (2) Directors, consisting of one (1) Director appointed by each of SKHYSI and Cypress, present at any meeting called and held in accordance with the terms of this Agreement. In the event of any Shareholder meeting, approval, vote or consent in connection with the actions described in Exhibit 5.6, the Parties agree to vote all Shares held by them in accordance with such Special Board Approval.
- 5.7 Dividends. Unless mutually agreed by the Parties, to the extent permitted by the Applicable Law and approved by the Board of the Company, the Parties shall cause the Company to declare and pay a dividend to the Parties quarterly. This dividend shall be paid in accordance with the Parties' respective Company Interest. Without limiting the generality of the foregoing, the Parties shall cause their respective Director appointees to approve the maximum dividends that can be paid, taking into account the Company's capital needs and subject to Applicable Law.
- 5.8 Further Assurances. Each Party undertakes to the other Party that it shall cooperate in good faith and take all practicable actions, including, without limitation, the exercise of votes it directly or indirectly controls at meetings of the Board and general meetings of the Company and any Company subsidiary, to ensure that the terms of this Agreement are complied with and to procure that the Board, the Company and any Company subsidiary comply with its respective obligations and that it shall do all such other acts and things as may be reasonably necessary or desirable to implement this Agreement.
- 5.9 Executive Officers.
- (a) Chief Executive Officer. The Company shall have one chief executive officer (the "CEO"), who shall be responsible for managing the overall operations and business of the Company. In addition to the powers and authority customarily provided to a chief executive officer, the CEO shall have the authority to hire outside advisors as he determines appropriate, consistent with his fiduciary duties. The CEO shall be elected by the Board from among the candidates nominated by SKHYSI.

- (b) Additional Officers. The Company may have one or more additional officers (each, an “Additional Officer”), each of which shall report directly to the CEO and may be granted access to information and reports provided to the CEO regarding the Company and its operations. Any Additional Officer shall be appointed by the CEO for a term to be determined by the CEO, subject to the right of the CEO to remove and replace such Additional Officer at any time.

5.10 Shareholder Consents.

- (a) The Parties shall have the ultimate control over the Company as its Shareholders or beneficial owners in conformity with Applicable Law. As specified in any Shareholders’ resolution duly passed or adopted at the Shareholders’ meetings, or as required by Applicable Law, certain matters shall be referred to, and passed upon, only by the Shareholders, and the actions, or the refusal to take actions, of the Board or the officers of the Company shall, in all respects and at all times, be in conformity with any such resolutions and Applicable Law. Each Shareholder shall take such actions as are reasonably necessary to cause the Directors and officers of the Company nominated by it to act in accordance with the provisions of this Section 5.10(a).
- (b) The Shareholders’ annual general meetings of the Company shall be called in such manner as shall be specified in the Articles. Extraordinary Shareholders’ meetings shall be called by the Board, or by any other person entitled to call an extraordinary Shareholders’ meeting under Applicable Law, by complying with the notice and other procedures with respect thereto as shall be set forth in the Articles.
- (c) A quorum at any meeting of Shareholders of the Company shall be the presence, in person or by proxy, of both Shareholders, and no meeting of the Shareholders shall be validly convened or constituted unless a quorum is present at such meeting. If a quorum is not present at a duly noticed meeting of Shareholders of the Company under the first sentence of this Section 5.10(c), such meeting shall be immediately adjourned and rescheduled, solely relating to matters proposed to be discussed at the prior adjourned meeting, and notice of such rescheduled meeting shall be delivered to each Shareholder not less than five (5) Business Days in advance of the rescheduled meeting. At such rescheduled meeting a quorum shall exist if SKHYSI is present. Except as otherwise provided in this Agreement, all other matters concerning Shareholders shall be determined in accordance with the Articles or as otherwise required by mandatory provisions of Applicable Law.
- (d) The Parties undertake to do all things reasonably necessary, including the giving of all necessary directions to their respective appointees on the

Board (as the case may be) to ensure that full effect is given to the provisions of this Agreement. Without limiting the generality of the foregoing, the Parties shall cause their respective Director appointees to approve, and if required by Applicable Law to recommend to the Company's Shareholders, the maximum dividends to be paid in accordance with Section 4.

- (e) Except as required by Applicable Law, in the event the Company desires to amend the Articles:
 - (i) SKHYSI agrees to vote all Shares owned by SKHYSI, or over which SKHYSI has voting control, from time to time and at all times, in whatever manner as shall be necessary to amend the Articles as approved by the Board, provided however that such amendment does not affect the rights of SKHYSI in a manner that is different than the effect on the rights of Cypress, and
 - (ii) Cypress agrees to vote all Shares owned by Cypress, or over which Cypress has voting control, from time to time and at all times, in whatever manner as shall be necessary to amend the Articles as approved by the Board, provided however that such amendment does not (i) affect the rights of Cypress to receive the CY Amount, nor (ii) affect the rights of Cypress in a manner that is different than the effect on the rights of SKHYSI.

5.11 Financial Matters.

- (a) Fiscal Year. The Company's fiscal year shall end on December 31 of each year.
- (b) Financial Statements and Accounting Records. Financial statements for the Company, including, without limitation, a balance sheet, income statement, statement of cash flows and statement of shareholders' equity, shall be submitted by the Company to each of the Parties (a) within twenty (20) Business Days after the end of each fiscal quarter for such quarter, and (b) within forty-five (45) days after the end of each fiscal year for such year. Each of the annual financial statements shall include a narrative discussion and analysis of the results of operations and shall be audited and certified by an internationally recognized accounting firm (which will act as an independent auditor under the Companies Ordinance) retained by the Company, selected by the Board. All financial statements shall be prepared at the cost of the Company, shall be complete and correct in all material respects, shall be prepared in reasonable detail and in accordance with International Financial Reporting Standards, and shall contain such financial data as the Parties may reasonably request in order to keep the Parties advised of the Company's financial status (although

interim statements need not include footnotes and may be subject to year-end adjustments). The Company shall provide each Party with such financial information as such Party may reasonably request for purposes of complying with its periodic reporting obligations under Applicable Laws and securities and listing requirements and regulations and shall cooperate with each Party in connection with complying with such obligations including, without limitation, providing information to each Party as needed to allow such Party to prepare additional financial statements and reconcile the Company's financial statements with U.S. GAAP for such purposes. Without limiting the foregoing, the Company will provide Cypress with monthly financial reporting, which will include an unaudited income statement and balance sheet, no later than three (3) Business Days from the end of each calendar month.

5.12 Company Records.

- (a) During the regular office hours of the Company, and upon reasonable notice to the Company, each Party and their respective agents and representatives shall have (i) full access to all plants, properties, books of account, minutes, records, employees and representatives of the Company and its subsidiaries, (ii) the right to inspect such plants and properties and the operations thereupon from time to time and (iii) the right to make copies from such books and records at such Party's own expense. Any information obtained by the Parties through exercise of rights granted under this Section 5.12 shall, to the extent constituting Confidential Information hereunder, be subject to the confidentiality provisions set forth in Section 6.7.
- (b) The Company shall (i) retain all books and records pertinent to the operations or financial results of the Company and any of the Company's subsidiaries and controlled Affiliates in accordance with Applicable Law or good corporate practice until the later of seven (7) years or the expiration of the statute of limitations under Applicable Law and (ii) give each Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if any Party so requests, shall allow such Party to take possession of such books and records.

5.13 Cypress Audit Right. The Company shall keep records in sufficient detail to enable Cypress to determine the correctness of CY Amount payments in accordance with Section 4. The Company shall permit said records to be inspected in accordance with Section 5.12 above. The audit shall only be for the purpose of verifying that the CY Amount payments established in Section 4 have been properly calculated. Inspections conducted under this Section 5.13 shall be at Cypress's expense, unless a variation or error in the Company's calculations have produced an underpayment of three percent (3%) or more for the applicable

audited period, in which case the Company shall bear the reasonable expenses of such audit.

- 5.14 Commencement of Litigation Against a Party. Any election by the Company to commence litigation against a Party shall first be submitted by the management of the Company to the Directors who have not been appointed by the Party in question. These disinterested Directors shall make a written recommendation to the full Board, stating whether or not they recommend the commencement of litigation by the Company, and the basis for this recommendation, in reasonable detail. Each Party shall cause the Directors nominated by it to vote to effect the terms of such recommendation. In addition, in the event that the commencement of any other litigation is approved by the requisite number of Directors under this Agreement, then each Party agrees that it shall cause each of its appointed Directors to vote in favor of and ratify such vote.

6. Additional Covenants

- 6.1 Additional Services. The Company's product mix roadmap will be determined by the Company's management. Cypress may provide design services to the Company as described in Exhibit 1.18.
- 6.2 Transferred Assets. The Cypress NAND Assets shall be transferred pursuant to the Bill of Sale without any compensation.
- 6.3 Cypress Transition Services Agreement. Cypress will provide support for the Company pursuant to the Cypress Transition Services Agreement.
- 6.4 Customer Transition. Cypress and the Company will use commercially reasonable efforts to cooperate to transition Cypress NAND customers to the Company. Subject to any restrictions under Applicable Law, this cooperation will include joint meetings with customers as well as communications to customers informing them of the transaction and instructing them to direct orders for NAND products to the Company rather than Cypress. Cypress will also cooperate with the Company to support ongoing relationships with NAND customers, including cooperation between the Company and Cypress's regional sales teams on NAND opportunities.
- 6.5 Employee Matters.
- (a) Specified Employees. The Company and any Company subsidiaries shall use commercially reasonable efforts to hire employees and/or advisors necessary for the operation of the Company's business, with such employment to be effective upon the Launch Time. Cypress shall provide a list of fifteen (15) Cypress employees (or employees of a Cypress Affiliate) recommended for hire by the Company. The Company shall interview these employees and shall offer employment to those employees

that it desires to hire (“Candidates”). If the number of Candidates recommended for hire is less than twelve (12) or if any Candidates reject the Company’s or a Company subsidiary’s offer, as applicable, then Cypress will recommend additional qualified employees to interview, provided, however, in the event that Cypress, using its best efforts, is unable to locate and recommend such qualified employees within Cypress, the Parties shall discuss and cooperate in good faith to identify alternative qualified non-Cypress employees. The employees recommended by Cypress are referred to as the “Specified Employees.” The Company’s or a Company subsidiary’s employment offer to each Candidate shall be comparable to such Candidate’s total compensation (including benefits) at Cypress or the Cypress Affiliate (as applicable). Cypress, the Company and any Company subsidiaries shall use commercially reasonable efforts to encourage each Candidate to accept the Company’s employment offer. Cypress shall use commercially reasonable efforts to provide the Company with access to the Specified Employees sufficient to interview and assess such Specified Employees. The Company may determine, in its absolute discretion, that a Specified Employee will not receive an offer of employment.

- (b) Secondment of Employees. All employees seconded by either Party shall possess appropriate skill and experience for the positions at the Company to which they are seconded. The Company shall bear all costs and expenses relating to the employment by the Company of the persons assigned to it by the Parties for salaries, semi-annual bonuses, national health insurance payments, pension plan contributions and such other benefits as are agreed by the Parties (collectively, “Salaries”).
- (c) Employee Agreements. The Company shall require each of its employees, including employees assigned to the Company hereunder, to execute a confidentiality and proprietary rights agreement, under which each employee shall assign all of his or her inventions, ideas and other intellectual property created within the scope of his or her employment to the Company and shall agree to (i) maintain the confidentiality of all Confidential Information disclosed by the Company or either Party to such employee and (ii) use such information solely in the performance of his or her duties as an employee of the Company.
- (d) No Solicitation.
 - (i) Each Party agrees that, during the term of this Agreement and for twelve (12) months thereafter, neither such Party nor any of its controlled Affiliates shall directly or indirectly employ, or solicit for employment, any person employed (either at such time or during the six (6)-month period prior thereto) by the Company or

any of its subsidiaries who became known to such Party through the operation of the Company (excluding normal recruiting operations) or otherwise solicit, induce or attempt to induce any such person to terminate his or her employment relationship with the Company or any of its subsidiaries, except that any Party may continue to employ any employee of the Company who was seconded to the Company by such Party. Notwithstanding the foregoing, (1) general solicitations not targeted to the employees of the Company or any of its subsidiaries shall not be prohibited and (2) neither Party shall be prohibited from employing any such person who contact such Party on his or her own initiative without any direct or indirect solicitation by such Party.

- (ii) The Company agrees that, during the term of this Agreement and for twelve (12) months thereafter, neither the Company nor any of its subsidiaries shall directly or indirectly employ, or solicit for employment, any person employed (either at such time or during the six (6)-month period prior thereto) by either Party or any of their respective Affiliates (other than the Company) who became known to the Company through the operation of the Company (excluding normal recruiting operations) or otherwise solicit, induce or attempt to induce any such person to terminate his or her employment relationship with either Party or their respective Affiliates; provided that this Section 6.5(d)(ii) shall not apply to, and the Company and its subsidiaries may employ and solicit for employment, the Specified Employees. Notwithstanding the foregoing, (1) general solicitations not targeted to the employees of either Party or any of its subsidiaries shall not be prohibited and (2) the Company shall not be prohibited from employing any such person who contact the Company on his or her own initiative without any direct or indirect solicitation by the Company.

6.6 Option Rights.

- (a) In the event that the volume of Wafers supplied by SKH to the Company exceeds 15,000 Wafers per month (excluding the CY Volume Wafers in such month) for at least three (3) consecutive months, SKHYSI shall have the right, but not the obligation, to cause Cypress to sell at the Call Price (as defined below) such amount of Shares that would increase SKHYSI's Company Interest up to 70% and reduce Cypress's Company Interest down to 30% (a "Partial Call").
- (b) In the event that the Parties fail to agree on the extension of the term of this Agreement and the initial term of this Agreement expires pursuant to Section 8.1:

- (i) SKHYSI shall have the right, but not the obligation, to cause Cypress to sell to SKHYSI all Shares owned by Cypress at the Call Price (a "Complete Call"), and
- (ii) Cypress shall have the right, but not the obligation, to cause SKHYSI to purchase all Shares owned by Cypress at the Call Price (a "Cypress Put").

For clarity, neither a Complete Call nor a Cypress Put may occur while the term of this Agreement is still active and in effect (in accordance with Section 8).

- (c) In the event of a merger, acquisition or other transaction or series of related transactions whereby a single party or affiliated group who is a competitor of SKHYSI or SKH listed on Exhibit 6.6(c) obtains direct or indirect voting control of a majority of the voting securities of the Cypress (a "Change of Control"), SKHYSI shall have the right, but not the obligation, to cause Cypress to sell to SKHYSI all Shares owned by Cypress at the Call Price (a "Change of Control Call"). In the event that SKHYSI purchases Cypress's Shares pursuant to a Change of Control Call before all CY Amount and CY January Amount payments have been made, the Company shall pay to Cypress (or the entity surviving the Change of Control if not Cypress) an amount equal to the amount that would have been paid to Cypress under Section 4 each quarter until all quarterly payments that would have been made as a CY Amount under Section 4 and the CY January Amount have been made.
- (d) Within ten (10) Business Days of the occurrence of an event that would entitle or require SKHYSI to purchase some or all of the Shares owned by Cypress pursuant to Section 6.6(a), 6.6(b), or 6.6(c), the Party exercising its option thereunder (the "Exercising Party") shall provide written notice (a "Call Notice") to the other Party (the "Responding Party") specifying the circumstances pursuant to which the Exercising Party is entitled to exercise a Partial Call, Complete Call, Change of Control Call, or Cypress Put (each, an "Option Right"), as applicable. On or prior to the fifteenth (15th) day after its receipt of a Call Notice, the Responding Party shall provide written notice (a "Call Response") to the Exercising Party either accepting or contesting the Exercising Party's entitlement to the applicable Option Right.
 - (i) In the event that the Responding Party notifies the Exercising Party in the Call Response that it accepts the contents of the applicable Call Notice: (A) the "Call Price" shall be an amount equal to the book value of the Company's stockholder equity based on the audited balance sheet of the Company, multiplied by the Company Interest represented by the Shares to be purchased pursuant to the

applicable Option Right, (B) the Parties shall use their reasonable best efforts to cause the consummation of the applicable Option Right to occur as soon as reasonably practicable but not later than thirty (30) days following the date of the Call Response, subject to obtaining all required approvals and consents (including without limitation from any applicable Governmental Authority or other third party) (C) payment by SKHYSI shall be in US Dollars, and (D) the purchased Shares shall be delivered with good title, free and clear of all liens and encumbrances; provided, that if the Parties fail to obtain within such thirty (30) day period any approval or consent of a Governmental Authority or Person, which, if not obtained, would result in a material adverse effect on the Company, such closing period shall be extended for the minimal amount of time commercially reasonably required to obtain such approval or consent.

- (ii) In the event that the Call Response contests the contents of the applicable Call Notice, the Parties shall work together in good faith to resolve such disagreement or otherwise submit to the dispute resolutions procedures set forth in Section 11.2.

- (e) Each Party undertakes to the other Party that it shall cooperate in good faith and take all practicable actions, including, without limitation, the execution and delivery of any required share transfer form, contract note and Share certificate, as applicable, to effect any necessary Transfer pursuant to a proper Option Right under this Section 6.6. The Parties agree that each Party will be responsible and shall each pay 50% of any stamp duty applicable to Transfers under this Section 6.6, provided however that the amount owed and payable by Cypress shall not exceed 0.1% of the Call Price. In the event of a change of Applicable Laws such that the statutory percentage for the total stamp duty chargeable on the transferor and transferee is increased above 0.2% of the consideration, Cypress's share of the total stamp duty shall continue to be based upon the Call Price and the percentage applicable to such Call Price shall be increased by one-half of the amount by which such total statutory percentage exceeds 0.2%.

- (f) For the avoidance of doubt, each of the Transaction Documents shall survive in accordance with their terms following consummation of the transfer of the Shares pursuant to an Option Right.

6.7 Confidentiality.

- (a) Non-Disclosure/Limited Use. The Parties recognize that, in connection with the performance of this Agreement, each Party or the Company (in such capacity, the "Disclosing Party") may disclose "Confidential

Information” (as defined below) to the other Party or the Company (the “Receiving Party”). For purposes of this Agreement “Confidential Information” means (i) proprietary information (whether owned by the Disclosing Party or a third party to whom the Disclosing Party owes a non-disclosure obligation) regarding the Disclosing Party’s business or (ii) information which is marked as confidential at the time of disclosure to the Receiving Party, or if in oral form, is identified as confidential at the time of oral disclosure or is otherwise clearly intended to be treated as confidential in light of the circumstances of the disclosure. Notwithstanding the foregoing, “Confidential Information” shall *not* include information which: (A) was known to the Receiving Party (and was not subject to any confidentiality obligation) at the time of the disclosure by the Disclosing Party as indicated by the Receiving Party’s written records; (B) has become publicly known through no wrongful act or omission of the Receiving Party; or (C) has rightfully been received by the Receiving Party from a third party without a duty of confidentiality. The Receiving Party agrees (x) not to use any such Confidential Information for any purpose other than in the performance of its obligations under this Agreement or any Transaction Document and (y) not to disclose any such Confidential Information, except (1) to its employees who are reasonably required to have the Confidential Information in connection herewith or with any of the other Transaction Documents, (2) to its agents, representatives, lawyers and other advisers that have a need to know such Confidential Information and (3) pursuant to, and to the extent of, a request or order by a Governmental Authority. The Receiving Party agrees to take all reasonable measures to protect the secrecy and confidentiality of, and avoid disclosure or unauthorized use of, the Disclosing Party’s Confidential Information.

- (b) Remedies. Each Party acknowledges and agrees that (i) its obligations under this Section 6.7 are necessary and reasonable to protect the other Party and its business, (ii) any violation of these provisions could cause irreparable injury to the other Party for which money damages would be inadequate, and (iii) as a result, the other Party shall be entitled to obtain injunctive relief against the actual or threatened breach of the provisions of this Section 6.7 without the necessity of proving actual damages. The Parties agree that the remedies set forth in this Section 6.7(b) are in addition to and in no way preclude any other remedies or actions that may be available under this Agreement or under Applicable Law.

- 6.8 Confidentiality of Agreement; Publicity. Each Party agrees that the terms and conditions of this Agreement and the Transaction Documents shall be treated as confidential information and that no reference thereto shall be made without the prior written consent of the other Party (which consent shall not be unreasonably withheld) except (a) as required by Applicable Law including, without limitation,

by the U.S. Securities and Exchange Commission, (b) to its accountants, banks, financing sources, lawyers and other professional advisors, provided that such parties undertake in writing (or are otherwise bound by rules of professional conduct) to keep such information strictly confidential, (c) in connection with the enforcement of this Agreement, or (d) to the extent reasonably necessary in connection with a merger, acquisition or proposed merger or acquisition involving one of the Parties and/or their respective Affiliates provided that this exception shall not permit the disclosure of the SKH New Supply Agreement to any then-current Person competing in the semiconductor industry against SKH or any then-current customers of SKH. The Parties will consult with each other, in advance, with regard to the terms of all proposed press releases, public announcements and other public statements with respect to the transactions contemplated hereby. Cypress may issue a press release following the Signing Date substantially in the form agreed by the Parties.

- 6.9 Noncompetition. Each of SKHYSI and Cypress hereby agrees that, for so long as this Agreement remains in effect, (a) neither Party nor any of its controlled Affiliates shall, directly or indirectly, sell NAND or MCP products consisting of NAND and DRAM in competition with the Company; provided that the foregoing shall not preclude SKHYSI from manufacturing third party NAND wafers as part of its NAND foundry business; provided further that the foregoing shall not preclude Cypress from selling NAND product units in connection with NAND product purchase orders received by Cypress prior to Launch Time that have not been fulfilled as of the Launch Time or from selling NAND products in Cypress's inventory as of the Launch Date.
- 6.10 Dissolution and Liquidation. In the event that either Party exercises its right to cause the Company's dissolution and liquidation pursuant to Section 8.3(a)(iii) or 8.3(b)(iii) by delivery of written notice of such exercise to the other Party and the Company, the Parties shall promptly (i) vote their Securities to dissolve and liquidate the Company, (ii) cause the Board to approve the Company's dissolution and liquidation, (iii) cause the Company's debts to be paid to the extent the Company's assets are available to do so and cause the remaining assets to be distributed to the Parties in accordance with the Articles, and (iv) take such other actions as may be required under Applicable Law to complete the dissolution and liquidation of the Company.

7. Warranties of the Parties

- 7.1 Warranties of SKHYSI. SKHYSI hereby represents and warrants to Cypress that, as of the Signing Date, the following statements are and shall be true and correct:
- (a) Organization. SKHYSI is a company duly organized and validly existing under the laws of the Republic of Korea, and has the corporate power and authority to enter into and perform this Agreement.

- (b) Authorization. All corporate action on the part of SKHYSI necessary for the authorization, execution and delivery of this Agreement and for the performance of all of its obligations hereunder has been taken, and this Agreement, when fully executed and delivered, shall constitute a valid, legally binding and enforceable obligation of SKHYSI.
- (c) Government and Other Consents. No consent, authorization, license, permit, registration or approval of, or exemption or other action by, any Governmental Authority, or any other Person, is required in connection with SKHYSI's execution, delivery and performance of this Agreement, or if any such consent is required SKHYSI has satisfied the applicable requirements.
- (d) Effect of Agreement. SKHYSI's execution, delivery and performance of this Agreement will not (i) violate the articles of incorporation of SKHYSI or any provision of Applicable Law, (ii) violate any judgment, order, writ, injunction or decree of any court applicable to SKHYSI, (iii) have any effect on the compliance of SKHYSI with any applicable licenses, permits or authorizations which would materially and adversely affect SKHYSI, (iv) result in the breach of, give rise to a right of termination, cancellation or acceleration of any obligation with respect to (presently or with the passage of time), or otherwise be in conflict with any term of, or affect the validity or enforceability of, any agreement or other commitment to which SKHYSI is a party and which would materially and adversely affect SKHYSI, or (v) result in the creation of any lien, pledge, mortgage, claim, charge or encumbrance upon any assets of SKHYSI.
- (e) Litigation. There are no actions, suits or proceedings pending or, to SKHYSI's knowledge, threatened, against SKHYSI before any Governmental Authority which question SKHYSI's right to enter into or perform this Agreement, or which question the validity of this Agreement or any of the other Transaction Documents.

7.2 Warranties of Cypress. Cypress hereby represents and warrants to SKHYSI that, as of the Signing Date, the following statements are and shall be true and correct:

- (a) Organization. Cypress is a corporation duly organized and validly existing under the laws of Delaware. Cypress has the corporate power and authority to enter into and perform this Agreement, the Cypress Transition Services Agreement and the Bill of Sale (collectively, the "Cypress Documents").
- (b) Authorization. All corporate action on the part of Cypress necessary for the authorization, execution and delivery of this Agreement and for the performance of all of its obligations hereunder and thereunder has been taken, and the Cypress Documents, when fully executed and delivered,

shall each constitute a valid, legally binding and enforceable obligation of Cypress.

- (c) Government and Other Consents. No consent, authorization, license, permit, registration or approval of, or exemption or other action by, any Governmental Authority, or any other Person, is required in connection with Cypress's execution, delivery and performance of any of the Cypress Documents, or if any such consent is required Cypress has satisfied any applicable requirements.
- (d) Effect of Agreement. Cypress's execution, delivery and performance of the Cypress Documents will not (i) violate the certificate of incorporation of Cypress or any provision of Applicable Law, (ii) violate any judgment, order, writ, injunction or decree of any court applicable to Cypress, (iii) have any effect on the compliance of Cypress with any applicable licenses, permits or authorizations which would materially and adversely affect Cypress, (iv) result in the breach of, give rise to a right of termination, cancellation or acceleration of any obligation with respect to (presently or with the passage of time), or otherwise be in conflict with, any term of, or affect the validity or enforceability of any agreement or other commitment to which Cypress is a party and which would materially and adversely affect Cypress, or (v) result in the creation of any lien, pledge, mortgage, claim, charge or encumbrance upon any assets of Cypress.
- (e) Litigation. There are no actions, suits or proceedings pending or, to Cypress's knowledge, threatened, against Cypress before any Governmental Authority which question Cypress's right to enter into or perform any of the Cypress Documents, or which question the validity of this Agreement or any of the other Transaction Documents.

8. Term and Termination

- 8.1 Term. This Agreement shall be effective as of the Signing Date and shall continue for an initial period of five (5) years, unless earlier terminated pursuant to Section 8.2. The term of this Agreement may be extended by mutual advance written agreement between the Parties.
- 8.2 Termination. This Agreement may be terminated as follows:
 - (a) Upon the mutual written agreement of the Parties.
 - (b) By either Party, effective immediately upon written notice to the other Party (i) if any representation or warranty of the other Party set forth herein was not true and correct in any material respect when made, or (ii) if the other Party breaches any material provision of this Agreement or

of any of the other Transaction Documents and such breach continues for a period of thirty (30) days after the delivery of written notice of the default, describing the default in reasonable detail.

- (c) By either Party, effective immediately upon written notice to the other Party and the Company, in the event that the other Party is dissolved, liquidated or declared bankrupt, or a voluntary or involuntary bankruptcy filing is made by such Party.
- (d) At any time prior to the Launch Time, by either Party, effective immediately upon written notice to the other Party and the Company, if: (i) a court of competent jurisdiction or other Governmental Authority shall have issued a final and nonappealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; or (ii) there shall be any Applicable Law or Legal Restraint enacted, promulgated, issued or deemed applicable to the consummation of the agreements contemplated by this Agreement by any Governmental Authority that would make such consummation illegal.

8.3 Effect.

- (a) If an event described in Section 8.2(b) occurs then the non-breaching Party shall have the right to terminate this Agreement and, at its option (subject to any limitations imposed by the court or other Governmental Authority adjudicating such bankruptcy, dissolution or liquidation proceedings), (i) buy all of the breaching Party's Securities at a price equal to seventy-five percent (75%) of the FMV of such Securities, (ii) sell all of its Securities to the breaching Party at a price equal to one hundred twenty-five percent (125%) of the FMV of such Securities, or (iii) cause the Company to be dissolved and liquidated in accordance with the procedures described in Section 6.10.
- (b) If an event described in Section 8.2(c) occurs, the Party that is not subject to such event shall have the right to terminate this Agreement and, at its option, (i) buy all of the other Party's Securities at a price equal to the FMV of such Securities, (ii) sell all of its Securities to other Party at a price equal to the FMV of such Securities, or (iii) cause the Company to be dissolved and liquidated in accordance with the procedures described in Section 6.10.
- (c) FMV shall be determined by an internationally recognized third party appraiser mutually agreed by the Parties, and if no third party appraiser is mutually agreed by the Parties within fifteen (15) days after the date of the notice of termination pursuant to Section 8.2(b) or 8.2(c) (as applicable), then the appraisal will be conducted by Duff & Phelps, LLC.

- 8.4 Continuing Liability; Survival. Termination of this Agreement for any reason shall not release either Party or the Company from any liability or obligation which has already accrued as of the effective date of such termination, and shall not constitute a waiver or release of, or otherwise be deemed to prejudice or adversely affect, any rights, remedies or claims related to events, actions or inactions that occurred while this Agreement was active and in effect, whether for damages or otherwise, which a Party or the Company may have hereunder, at law, equity or otherwise or which may arise out of or in connection with such termination. The rights and obligations of the Parties under Sections 6.7, 6.8 (to the extent provided therein) and Sections 8 and 11 shall survive any termination of this Agreement.
- 8.5 Return of Confidential Information. Upon the termination of this Agreement, each Party, at its own cost, shall promptly destroy or return to the Disclosing Party any and all documents and materials constituting or containing Confidential Information of the Disclosing Party which are in its possession or control, or at its option, shall destroy such documents and materials and certify such destruction in writing to the Disclosing Party. Notwithstanding to the foregoing, the Parties may retain such Confidential Information of the other Party to the extent necessary to operate the Company.

9. Transfer Restrictions

- 9.1 General Restriction. For so long as this Agreement remains in effect, and except as otherwise specifically provided in this Agreement or agreed to in writing by the other Party (or, if applicable, its successor-in-interest), each Party agrees not to, directly or indirectly, sell, transfer, assign, hypothecate or in any way alienate ("Transfer") any Securities, or any right or interest therein, except to an Affiliate of such Party that is reasonably acceptable to the other Party. In the case of any transfer permitted hereunder, the transferring Party shall deliver to the other Party (a) at least ten (10) Business Days prior to such transfer, a written notice stating its intention to transfer Securities, the name and share ownership of the Affiliate transferee, the number of Securities to be transferred, and the price and other material terms and conditions of the transfer, and (b) on or prior to the effective date of the transfer and in a form reasonably acceptable to the other Party and its counsel, the Affiliate transferee's written acknowledgment of and agreement to be bound by, and to vote the transferred Securities at all times in accordance with, the terms of this Agreement.
- 9.2 Board Approval; Legends. All Transfers of Securities shall be subject to approval by the Board. Each share certificate of the Company shall bear a legend, consistent with Applicable Law, providing that any transfer of the Securities evidenced by such certificate is subject to approval by the Board and carrying the following statement: "Any disposition, transfer, charge of or dealing in any other manner in the Shares represented by this certificate is restricted by a Joint Venture

Agreement dated October 23, 2018 between SK hynix system ic Inc. and Cypress Semiconductor Corporation.”

9.3 Use of Corporate Name; Trademarks and Logos.

- (a) Non-Use of Name; Trademarks; Logos. Neither Party (nor any of its controlled Affiliates) shall, either during the term of this Agreement or thereafter, utilize, register or seek to register the corporate name, trademarks or logos of the other Party, or any similar corporate name, trademark or logo, for any purpose whatsoever, without the prior written consent of the other Party.
- (b) Change of Corporate Name. In the event that either Party ceases to be a Shareholder for any reason, the remaining Shareholder(s) shall promptly, and in any event within thirty (30) days thereafter, change the name, trade name and service mark of the Company to such names and marks as do not include or incorporate all or any portion of the corporate name or logo of the departing Party and deliver evidence of such changes to the departing Party.
- (c) Use of Spansion Logo. Cypress, on behalf of Spansion LLC, hereby grants the Company the right to continue to mark the products in existence as of the Launch Time with the Spansion logo, in the same manner as Cypress was using the Spansion logo on such products immediately prior to the Launch Time. In the event that the Company changes the back end manufacturer from Cypress Thailand, the license granted in this Section 9.3(c) will continue for so long as the products manufactured at the new back end manufacturer continue to meet the same level of quality as those manufactured by Cypress Thailand. Cypress may monitor the quality of the products by any reasonable method, including by requesting product samples from time to time, which samples shall be supplied to Cypress by the Company free of charge.

10. Indemnification

- 10.1 Indemnification. Each Party (in such capacity, the “Indemnifying Party”) shall indemnify, defend and hold harmless the other Party and each of such Party’s officers, directors, employees, shareholders and agents (each an “Indemnified Party”), from and against any and all claims, demands, liabilities, costs, damages, expenses (including, without limitation, attorneys’ fees and expenses), and causes of action of any nature whatsoever (collectively, “Losses”) arising from or in any way related to any breach of any representation, warranty, covenant, agreement or obligation made or to be performed by the Indemnifying Party hereunder. Losses shall not include Losses to the extent caused by the gross negligence or willful misconduct of the Indemnified Party. The obligations of each Indemnifying Party under this Section 10.1 shall survive any termination of this Agreement.

10.2 Indemnification Procedures. If any lawsuit or enforcement action is filed against an Indemnified Party with respect to which such Indemnified Party is entitled to indemnification under this Section 10.2 or an Indemnified Party becomes aware of any fact, condition or event which may give rise to Losses for which indemnification may be sought under this Section 10.2, then such Indemnified Party shall give notice thereof (a “Claim Notice”) to the Indemnifying Party against whom indemnity is sought as promptly as practicable. The failure of an Indemnified Party to give a timely Claim Notice hereunder shall not affect its rights to indemnification hereunder, except to the extent that the Indemnifying Party demonstrates that such failure actually damaged the Indemnifying Party. If within thirty (30) days after receipt of the Claim Notice the Indemnifying Party acknowledges in writing to the Indemnified Party that Indemnifying Party is obligated under the terms of its indemnity hereunder in connection with such lawsuit or action (or that it will defend under a reservation of rights), then the Indemnifying Party shall be entitled, at its own cost, risk and expense, (a) to take control of the defense and investigation of such lawsuit or action, (b) to employ and engage attorneys of its own choice to handle and defend the same unless the named parties to such action or proceeding include both the Indemnifying Party and the Indemnified Party and such Indemnified Party has been advised in writing by counsel that there may be one or more legal defenses available to the Indemnified Party that are different from or additional to those available to the Indemnifying Party, in which event, the Indemnified Party shall be entitled, at the Indemnifying Party’s cost and expense, to retain separate counsel of its own choosing, and (c) to compromise or settle such claim, which compromise or settlement shall be made only with the prior written consent of the Indemnified Party, such consent not to be unreasonably withheld. In connection with the Indemnifying Party’s defense of the Indemnified Party as described in the foregoing sentence, the Indemnified Party shall (at the Indemnifying Party’s cost and expense) cooperate in all reasonable respects with the Indemnifying Party and its attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the Indemnified Party may, at its own cost, participate in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The Parties shall cooperate with each other in any notifications to insurers. If the Indemnifying Party fails to assume the defense of such claim within thirty (30) days after receipt of the Claim Notice, then the Indemnified Party (upon delivering notice to such effect to the Indemnifying Party) shall have the right (but not the obligation) to undertake, at the Indemnifying Party’s cost and expense, the defense, compromise or settlement of such claim on behalf of, and for the account and risk of, the Indemnifying Party. In the event the Indemnified Party assumes the defense of the claim, the Indemnified Party will keep the Indemnifying Party timely informed of the progress of any such defense, compromise or settlement. The Indemnifying Party shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 10.2 and for any final judgment (subject to any right of appeal), and the Indemnifying Party agrees to indemnify and hold harmless the

Indemnified Party from and against any Losses by reason of such settlement or judgment.

11. General Provisions

- 11.1 In addition to collaboration contemplated herein, the Parties will explore other potential collaboration opportunities for the mutual benefits in good faith.
- 11.2 Governing Law; Dispute Resolution. The validity, construction and enforceability of this Agreement shall be governed by and construed in accordance with the laws of California. All disputes between the Parties arising out of this Agreement shall be settled by the Parties amicably through good faith discussions upon the written request of either Party. In the event that any such dispute cannot be resolved thereby within a period of sixty (60) days after such notice has been given, such dispute shall be finally settled by arbitration in San Jose, California, using the English language, and in accordance with the rules then in effect of the American Arbitration Association. The arbitrator(s) shall have the authority to grant specific performance, and to allocate between the Parties the costs of arbitration in such equitable manner as the arbitrator(s) may determine. The prevailing Party in the arbitration shall be entitled to receive reimbursement of its reasonable expenses incurred in connection therewith. Judgment upon the award so rendered may be entered in any court having jurisdiction or application may be made to such court for judicial acceptance of any award and an order of enforcement, as the case may be. Notwithstanding the foregoing, either Party shall have the right to institute a legal action in a court of proper jurisdiction for injunctive relief and/or a decree for specific performance pending final settlement by arbitration.
- 11.3 Notices and Other Communications. Any and all notices, requests, demands and other communications required or otherwise contemplated to be made under this Agreement shall be in writing and in English and shall be provided by one or more of the following means and shall be deemed to have been duly given (a) if delivered personally, when received, (b) if transmitted by facsimile, on the second (2nd) Business Day following receipt of a transmittal confirmation, or (c) if by international courier service, on the fourth (4th) Business Day following the date of deposit with such courier service, or such earlier delivery date as may be confirmed in writing to the sender by such courier service. All such notices, requests, demands and other communications shall be addressed as follows:

If to SKHYSI:

SK hynix system ic Inc.
215 Daesin-ro Heungdeok-gu Cheongju-si
Chungcheongbuk-do, 28429, Korea

Attention: Head of Legal Affairs

Telephone:

Facsimile:

with a copy (which copy shall not constitute notice) to:

SK hynix Inc.
SK u-Tower, 9, Seongnam-daero 343 beon-gil,
Bundang-gu, Seongnam-si
Gyeonggi-do, 13558, Korea

Attention: Head of Global Legal

Telephone:

Facsimile:

If to Cypress:

Cypress Semiconductor Corporation
198 Champion Court
San Jose, California 95134

Attention: Chief Legal Officer

with a copy (which copy shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
525 University Avenue
Palo Alto, California 94301

Attention: Mike Mies

or to such other address or facsimile number as a Party may have specified to the other Party in writing delivered in accordance with this Section 11.3.

- 11.4 Language. This Agreement is in the English language only, which language shall be controlling in all respects, and all versions hereof in any other language shall be for accommodation only and shall not be binding upon the Parties. All communications and notices to be made or given pursuant to this Agreement shall be in the English language.
- 11.5 Severability. If any provision in this Agreement shall be found or be held to be invalid or unenforceable then the meaning of said provision shall be construed, to the extent feasible, so as to render the provision enforceable, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement which shall remain in full force and effect unless the severed provision is essential and material to the rights or benefits received by either

Party. In such event, the Parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly effects the Parties' intent in entering into this Agreement.

- 11.6 References; Subject Headings. Unless otherwise indicated, references to Sections and Exhibits herein are to Sections of, and Exhibits to, this Agreement. The subject headings of the Sections of this Agreement are included for the purpose of convenience of reference only, and shall not affect the construction or interpretation of any of its provisions.
- 11.7 Further Assurances. The Parties shall each perform such acts, execute and deliver such instruments and documents, and do all such other things as may be reasonably necessary to accomplish the transactions contemplated in this Agreement.
- 11.8 Expenses. Each of the Parties will bear its own costs and expenses, including, without limitation, fees and expenses of legal counsel, accountants, brokers, consultants and other representatives used or hired in connection with the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby. All such expenses incurred by the Company shall be borne by the Company to the maximum extent permitted by Applicable Law including, without limitation, expenses relating to the formation of the Company, any transfer taxes for transfer of the Company stock to the Parties, registration charges, taxes, fees and expenses relating to required governmental or regulatory approvals, notary fees and legal fees and expenses.
- 11.9 No Waiver. No waiver of any term or condition of this Agreement shall be valid or binding on a Party unless the same shall have been set forth in a written document, specifically referring to this Agreement and duly signed by the waiving Party. The failure of a Party to enforce at any time any of the provisions of this Agreement, or the failure to require at any time performance by the other Party of any of the provisions of this Agreement, shall in no way be construed to be a present or future waiver of such provisions, nor in any way affect the ability of a Party to enforce each and every such provision thereafter.
- 11.10 Entire Agreement; Amendments. The terms and conditions contained in this Agreement (including the Exhibits hereto) and the Transaction Documents constitute the entire agreement between the Parties and supersede all previous agreements and understandings, whether oral or written, between the Parties with respect to the subject matter hereof. No agreement or understanding amending this Agreement shall be binding upon either Party unless set forth in a written document which expressly refers to this Agreement and which is signed and delivered by duly authorized representatives of each Party.
- 11.11 Assignment. Neither Party shall have the right to assign its rights or obligations under this Agreement except in connection with a transfer of such Party's

Securities in a manner permitted hereunder, under terms reasonably acceptable to the non-assigning Party and providing for the assignee to be bound by the terms hereof, and for the assigning Party to remain liable for the assignee's performance of its obligations hereunder. This Agreement shall inure to the benefit of, and shall be binding upon, the Parties and their respective permitted successors and assigns.

- 11.12 No Agency. The Parties are independent contractors. Nothing contained herein or done in pursuance of this Agreement shall constitute either Party the agent of the other Party for any purpose or in any sense whatsoever.
- 11.13 No Beneficiaries. Nothing herein express or implied, is intended to or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the Parties and their Affiliates who hold Securities, any interests, rights, remedies or other benefits with respect to or in connection with any agreement or provision contained herein or contemplated hereby.
- 11.14 Effective Date of Transaction Documents. The Transaction Documents (other than this Agreement and the Articles) shall become effective at the Launch Time. The rights of Cypress and the restrictions on the operations of the Company set forth in Section 5 shall not be effective until the Cypress Subscription Date.
- 11.15 Counterparts. This Agreement may be executed in any number of counterparts, and each counterpart shall constitute an original instrument, but all such separate counterparts shall constitute only one and the same instrument.
- 11.16 Incidental and Consequential Damages. Neither Party nor its Affiliates will be liable to the other Party under any contract, negligence, strict liability or other theory for any indirect, incidental or consequential damages (including without limitation lost profits) with respect to a breach of this Agreement or any Transaction Document.

[remainder of page left blank]

IN WITNESS WHEREOF, the Parties have caused their respective duly authorized representatives to execute this Agreement as of the Signing Date.

SK HYNIX SYSTEM IC INC.

CYPRESS SEMICONDUCTOR CORPORATION

By: /s/ Kim Joon Ho

By: /s/ S. Thad Trent

Exhibit List

- Exhibit 1.3 - Articles of Association
- Exhibit 1.4 - Back-End Manufacturing Agreement – Terms
- Exhibit 1.5 - Bill of Sale
- Exhibit 1.17 - Cypress NAND Assets
- Exhibit 1.18 - Cypress Transition Services Agreement – Services
- Exhibit 5.6 - Actions Requiring Special Board Approval
- Exhibit 6.6(c) - List of Competitors

[NOTE: Schedules (and the similar attachments listed above) to this agreement have been omitted in reliance on Regulation S-K, Item 601(b)(2). The Registrant hereby undertakes to furnish supplementally a copy of any such item to the Commission upon request.]

[Cypress Letterhead]

September 20, 2005

Thad Trent
San Jose, CA

Dear Thad,

We are pleased to extend an offer of employment to you to join Cypress Semiconductor Corporation. Effective on the date specified below, you will become a full-time employee of the Company to serve in the position of Finance Director reporting to Jeff Osorio, VP Finance and Corporate Controller and to perform other such duties and responsibilities as may be assigned to you from time to time by the President or the Board of Directors of the Company.

In consideration for all services rendered by you in such employment you will be paid an annual salary of \$180,000.00. Salary payments will be made bi-weekly. During your employment, you shall be entitled to participate in the Company's employee fringe benefit programs, stock purchase, new product bonus, and 401(k) plans to the extent of your eligibility.

You will be a participant in the Cypress Semiconductor 2005 Key Employee Bonus Program (KEBP). Effective the beginning of the quarter following your date of hire your target incentive will be 30% of base salary. Your actual incentive will be based on both company and individual performance. The KEBP plan description is attached for your reference.

Cypress proposes to grant to you an option to purchase 25,000 shares of its Common Stock at the fair market value of the common stock as determined by the Board of Directors.

You will also receive a \$20,000.00 cash employment bonus (less withholding taxes), to be paid with your first regular paycheck. The cash bonus shall be subject to vesting at a rate of 1/12 per month. In the event of your voluntary or involuntary termination from the company before completing one year of service, the unvested portion of the cash bonus shall be repaid by you in cash or by cashier's check to the Company within 30 days of your termination date. Cypress is hereby further authorized to apply up to the full amount of your final paycheck, and any other compensation due to you upon your termination, against any unvested portion of the cash bonus. In the event the amount owed to Cypress is not repaid in full on your last day of employment, whether by application of your final paycheck funds or by cash or cashier's check delivered by you to Cypress, then you will be required to complete additional security documents that will allow to us to secure the unpaid obligation owed by you to Cypress. In the event of your involuntary termination of employment due to reduction-in-force, before you have completed one year or service, repayment of the unvested cash bonus shall be waived. The gross bonus is considered additional income and will be included on your W-2 wage summary at the end of the year.

Upon your acceptance of employment, you will sign the Company's standard Proprietary Information and Inventions Agreement.

This offer is contingent upon your ability to present documents establishing your right to work in the United States as required by the 1986 Federal Immigration Reform and Control Act.

You hereby confirm that (i) you will not disclose or use any confidential or proprietary information or trade secrets of any prior employer or other person in connection with your employment by the Company, (ii) you are not subject to any agreement or restriction which would restrict your employment with the Company, and (iii) you have not solicited, nor has the Company requested that you solicit, any person employed by your former employer to join the Company.

U.S. Export laws require Cypress to obtain licenses for foreign nationals from certain countries (for example, Libya, Iraq) who will have access to certain types of technology. If an export license is required, the U.S. government must grant that license before you are permitted to commence your job assignment. This offer of employment may be contingent upon issuance of a license. Please contact your Cypress Human Resources Business Partner at (408) 943-2803 if you have any questions about how the export control laws apply to your employment.

The expiration date will automatically be set seven (7) days after the offer generation date. This offer is valid through 12:00 noon, September 23, 2005.

Very Truly Yours,

/s/ Brad Buss

Brad Buss
Chief Financial Officer

/s/ Lynne Marano

Lynne Marano
Human Resource Business Partner

The foregoing is agreed to and accepted by

Signature /s/ S. Thad Trent

Date 9/30/05

Expected Start Date 10/17/05

The life insurance and long-term disability insurance programs offered by Cypress are priced according to your date of birth. To allow us to correctly prepare the benefits enrollment form for you, please tell us your birthdate:

[Cypress Letterhead]

October 27, 1995

Sam G. Geha
Irvine, CA

Dear Sam:

We are pleased to extend an offer of employment to you to join Cypress Semiconductor Corporation in the position of Staff Module Development Engineer reporting to Daniel Arnzen, Module Development Manager.

Your initial compensation will be \$79,180 annually, paid bi-weekly. Subject to Board approval, Cypress also offers you an option to purchase 6,338 shares of its Common Stock at the fair market value of the common stock as determined by the Board of Directors at the next Board meeting following your hire date. During your employment, you will be entitled to participate in the Company's employee fringe benefit programs, stock purchase, profit sharing and 401(k) plans to the extent of your eligibility.

You will also receive a cash bonus in lieu of relocation benefits of \$18,000 (less withholding taxes) when you begin employment. This will aid in your relocation from Irvine to the Bay Area.

You will also receive a \$3,200 (less withholding taxes) cash cost of living adjustment bonus when you begin your employment.

We, at Cypress, look forward to having you join our team.

If you wish to accept our offer of employment, please sign and return to me one copy of the enclosed offer agreement. Also, indicate your expected start date. Should you have any questions, please feel free to call me at your convenience.

This offer is valid through 12:00 noon, Friday, November 3, 1995.

Very truly yours,

/s/ A.R. Alvarez

A.R. Alvarez
Vice President, Research & Development

ARA/bvs

[Cypress Letterhead]

October 27, 1995

Sam G. Geha
Irvine, CA

Dear Sam:

This is to confirm our understanding with respect to your employment with Cypress (the 'Company'):

1. Effective on the date specified below, you will become a full-time employee of the Company to serve in the position of Staff Module Development Engineer reporting to Daniel Arnzen, Module Development Manager and to perform other such duties and responsibilities as may be assigned to you from time to time by the President or the Board of Directors of the Company.
2. In consideration for all services rendered by you in such employment, you will be paid an annual salary of \$79,180. Salary payments will be made bi-weekly. During your employment, you shall be entitled to participate in the Company's employee fringe benefit programs, stock purchase, profit sharing and 401(k) plans to the extent of your eligibility.
3. Subject to Board approval, Cypress proposes to grant to you an option to purchase 6,338 shares of its Common Stock at the fair market value of the common stock as determined by the Board of Directors at the next Board Meeting following your hire date.

4. You will also receive a cash bonus in lieu of relocation benefits of \$18,000 (less withholding taxes) when you begin employment. This will aid in your relocation from Irvine to the Bay Area. In the event of your voluntary termination of employment from the Company before completing one year of service, the cash bonus and any Cypress-paid or reimbursed expenses that are a direct result of your relocation shall be repaid, in full, by you to the Company. Should you otherwise leave the Company during your first year of employment the cash bonus and any Cypress-paid or reimbursed expenses shall be subject to vesting at a rate of 1/12 per month. The gross bonus and Cypress-paid or reimbursed expenses are considered additional income and will be included on your W-2 wage summary at the end of the year.

5. You will also receive a \$3,200 cash cost of living adjustment bonus (less withholding taxes) when you begin your employment. In the event of your voluntary termination of employment from the Company before completing two years of service, the cash bonus shall be repaid, in full, by you to the Company. Should you otherwise leave the Company during your first two years of employment, the cash bonus shall be subject to vesting at a rate of 1/24 per month. The gross bonus is considered additional income and will be included on your W-2 wage summary at the end of the year.

6. Upon your acceptance of employment, you will sign the Company's standard Proprietary Information and Inventions Agreement.

7. This offer is contingent upon your ability to present documents establishing your right to work in the United States as required by the 1986 Federal Immigration Reform and Control Act.

8. You hereby confirm that (i) you will not disclose or use any confidential or proprietary information or trade secrets of any prior employer or other person in connection with your employment by the Company, (ii) you are not subject to any agreement or restriction which would restrict your employment with the Company, and (iii) you have not solicited, nor has the Company requested that you solicit, any person employed by your former employer to join the Company.

Very truly yours,

CYPRESS SEMICONDUCTOR CORPORATION

/s/ A.R. Alvarez

A.R. Alvarez
Vice President, Research & Development

Approved: /s/ John Hu
Human Resources Business Partner

The foregoing is agreed to and accepted by me:

/a/ Sam Geha 11/3/95
Signature Date

11/27/95
Expected Start Date

Date of Birth
(for benefits calculations)

ARA/bvs

[Cypress Letterhead]

February 26, 2008

Sudhir Gopalswamy
Pleasanton, CA

Dear Sudhir,

We are pleased to extend an offer of employment to you to join Cypress Semiconductor Corporation Effective on the date specified below, you will become a full-time employee of the Company to serve in the position of Senior Product Marketing Director, reporting to David Kranzler, Vice President and to perform other such duties and responsibilities as may be assigned to you from time to time by the President or the Board of Directors of the Company.

In consideration for all services rendered by you in such employment, you will be paid an annual salary of \$200,000.00. Salary payments will be made bi-weekly. During your employment, you shall be entitled to participate in the Company's employee fringe benefit programs, stock purchase, new product bonus, and 401(k) plans to the extent of your eligibility.

Cypress is pleased to offer you a grant of 12,500 Restricted Stock Units (RSUs). RSUs are a promise by the company to give you shares of common stock in the future, provided your employment is continuous. Your RSUs will vest over five years at the rate of 1/5 (20%) per year as of the anniversary of the vesting date. Vesting begins as of your hire date. You will need to accept this RSU grant through the on-line web page at E*TRADE <https://us.etrade.com/e/tl/welcome/employeestockplans>. The acceptance of the grant must be completed within 60 days of issuance. RSUs have no exercise price and therefore always have value. The value of each RSU is equal to the value of one share of Cypress's stock once vested (less any applicable taxes and withholdings). Vested RSUs remain yours for as long as you hold the shares, even if the company no longer employs you. You may sell them immediately upon vest or hold onto them for however long you like. In the latter case, you bear the risk of the stock declining in price and your shares losing value.

You will be a participant in the Cypress Semiconductor 2008 Key Employee Bonus Program (KEBP). Effective the beginning of the quarter following your date of hire your target incentive will be 30% of base salary. Your actual incentive will be based on both company and individual performance.

As a Cypress employee, you are required to follow all of Cypress' specifications, policies, and practices. Among many other things, this includes (but is not limited to) your responsibility to follow Cypress' Code of Business Conduct and Ethics. Within the first 30 days of your Cypress employment you are required to be trained on the Code of Business Conduct and Ethics. The training is online and is available through Cypress University (CYU) on the Cypress Intranet. Within the first 30 days of your Cypress employment you are required to take and successfully complete the Workplace Harassment Training. The training is online and is available through Cypress University (CYU) on the Cypress Intranet.

Your employment with Cypress will be at-will. This means that both you and Cypress can end your employment at any time, whether or not there is cause or notice. No one other than the Chief Executive Officer and the Vice President of human Resources has the authority to change this arrangement or to make any agreement contrary to this. Any such agreement must be in writing, must be signed by the Chief Executive Officer and the Vice President of Human Resources, and must express a clear intent to alter the at-will nature of your employment relationship.

Upon your acceptance of employment, you will sign the Company's standard Proprietary Information and Inventions Agreement. This offer is contingent upon your ability to present documents establishing your right to work in the United States as required by the 1986 Federal Immigration Reform and Control Act.

You hereby confirm that (i) you will not disclose or use any confidential or proprietary information or trade secrets of any prior employer or other person in connection with your employment by the Company, (ii) you are not subject to any agreement or restriction which would restrict your employment with the Company, and (iii) you have not solicited, nor has the Company requested that you solicit, any person employed by your former employer to join the Company.

U.S. Export laws require Cypress to obtain licenses for foreign nationals from certain countries (for example, Libya, Iraq) who will have access to certain types of technology. If an export license is required, the U.S. government must grant that license before you are permitted to commence your job assignment. This offer of employment may be contingent upon issuance of a license. Please contact your Cypress Human Resources Business Partner at (408) 544-1007 if you have any questions about how the export control laws apply to your employment.

This offer is valid through 12:00 noon, March 3, 2008.

Very Truly Yours,

/s/ Dinesh Ramanathan

/s/ Roy Malatesta

Dinesh Ramanathan
Executive Vice President, Data Communications Division

Roy Malatesta
Human Resources Business Partner Manager Sr.

I accept Cypress' offer of at-will employment and agree to all of the terms described in this Letter:

Signature /s/ Sudhir Gopalswamy

Date 3/10/08

Expected Start Date 04/02/08

Please provide your preferred name, if any, so that we may order a cubicle/office name plate and for your Cypress email account:

First Name: Sudhir Last Name Gopalswamy @cypress.com

[Cypress Letterhead]

January 15, 2015

Pam Tondreau
Danville, California

Dear Pam,

We are pleased to extend an offer of employment to you to join Cypress Semiconductor Corporation. Effective on the date specified below, you will become a **full-time** employee of the Company to serve in the position of Senior Vice President and General Counsel reporting to Paul Keswick, Executive Vice President and to perform other such duties and responsibilities as may be assigned to you from time to time by the President or the Board of Directors of the Company.

In consideration for all services rendered by you in such employment, you will be paid based on an annual salary of \$260,000. Salary payments will be made bi-weekly. During your employment, you shall be entitled to participate in the Company's employee fringe benefit programs, stock purchase and 401(k) plans to the extent of your eligibility.

You will be a participant in the Cypress Semiconductor 2015 Key Employee Bonus Program (KEBP). Your target incentive will be 50% of the base salary. Your participation starts on your hire date. Your actual incentive will be based on both company and individual performance.

You have been granted 25,000 Performance Based Restricted Stock Units (PARS) under our Company's PARS program. All RSUs awarded under and are subject to this Plan. The Compensation Committee will set the 2015 performance milestones and vesting schedule required for the 2015 PARS targets in Q1, 2015. You may be eligible to earn your 2015 PARS if the performance milestones are achieved by the end of the 2015 fiscal year. The terms and conditions will be outlined in the PARS agreement which will be delivered in Q1, 2015.

Subject to the approval of the Compensation Committee, Cypress offers you a grant of 90,000 Restricted Stock Units (RSUs). RSUs are a promise by the company to give you shares of common stock in the future, provided your employment is continuous. Your RSUs will vest over five years at the rate of 1/5 (20%) per year as of the anniversary of your hire date. RSUs have no exercise price and therefore always have value. Once vested, the value of each RSU is equal to the value of one share of Cypress's stock as reported on the NASDAQ. Upon vest, any applicable taxes will be withheld in the form of shares, or you will be required to sell enough shares to pay the taxes required to be withheld, or you will need to use cash from external sources to satisfy the tax requirements. Vested RSUs remain yours for as long as you hold the shares, even if the company no longer employs you. You may sell them immediately upon vest or hold onto them for however long you like. In the latter case, you bear the risk of the stock declining in price and your shares losing value.

Your entire grant will begin vesting on your hire date. You must accept your stock grant through the on-line acceptance at E*TRADE (<https://us.etrade.com/e/t/home>). The acceptance of your grant must be completed within sixty (60) days of E*TRADE's email notification to you that "You have a New Grant".

Within the first 30 days of your Cypress employment you are required to be trained on the Code of Business Conduct and Ethics. The training is online and is available through Cypress University (CYU) on the Cypress Intranet.

Within the first 30 days of your Cypress employment you are required to take and successfully complete the Workplace Harassment Training. The training is online and is available through Cypress University (CYU) on the Cypress Intranet.

Your employment with Cypress will be at-will. This means that both you and Cypress can end your employment at any time, whether or not there is cause or notice. No one other than the Chief Executive Officer and the Executive Vice President of Human Resources has the authority to change this arrangement or to make any agreement contrary to this. Any such agreement must be in writing, must be signed by the Chief Executive Officer and the Executive Vice President of Human Resources, and must express a clear intent to alter the at-will nature of your employment relationship.

This offer is contingent upon your ability to present documents establishing your right to work in the United States as required by the 1986 Federal Immigration Reform and Control Act.

Upon your acceptance of employment, you will sign the Company's standard Proprietary Information and Inventions Agreement and the Hiring Non Disclosure Agreement.

You hereby confirm that (i) you will not disclose or use any confidential or proprietary information or trade secrets of any prior employer or other person in connection with your employment by the Company, (ii) you are not subject to any agreement or restriction which would restrict your employment with the Company, and (iii) you have not solicited, nor has the Company requested that you solicit, any person employed by your former employer to join the Company.

U.S. Export laws require Cypress to obtain licenses for foreign nationals from certain countries (for example, Libya, Iraq) who will have access to certain types of technology. If an export license is required, the U.S. government must grant that license before you are permitted to commence your job assignment. This offer of employment may be contingent upon issuance of a license. Please contact your Cypress HR Generalist at 408/432-7001 if you have any questions about how the export control laws apply to your employment.

This offer is valid through 12:00 noon, January 22, 2015.

Very truly yours,

/s/ Paul Keswick

Paul Keswick
Executive Vice President

/s/ Sriramachandrudu V

Sriramachandrudu V
Human Resource Generalist

I accept Cypress' offer of at-will employment and agree to all of the terms described in this letter:

Signature /s/ P. Tondreau

Date 1-21-15

Expected Start Date 1-22-15

Please provide your preferred name, if any, so that we may order a cubicle/office name plate and for your Cypress e-mail account:

First Name: Pamela Last Name: Tondreau @cypress.com

In addition to the email address selected above, employees are assigned four letter "Cypress Initials" which are used for a variety of purposes during your employment. To assist in the selection of your Cypress Initials, please provide your preferred four (4) letter initials below:

Option #1 PLT Option #2 _____ Option #3 _____

NOTICE OF GRANT OF RESTRICTED STOCK UNITS

Congratulations! You have been granted an Award of Restricted Stock Units ("RSUs") under the Cypress Semiconductor Corporation 2013 Stock Plan, as amended, and any applicable sub-plan thereto for your country (collectively, the "Plan"), as follows:

PARTICIPANT NAME: [name]

PARTICIPANT ID: [ID#]

NUMBER OF RSUs GRANTED: [number]

Each RSU is equivalent to one Share of Common Stock of Cypress Semiconductor Corporation (the "Company") for purposes of determining the number of Shares subject to this Award. The RSUs are subject to forfeiture prior to vesting. None of the RSUs will vest (nor will you have the rights of a stockholder with respect to the underlying Shares) until you satisfy the vesting conditions described below and in the Restricted Stock Unit Agreement accompanying this notice (the "RSU Agreement"). The number of unvested RSUs and underlying Shares is subject to adjustment under Section 16 of the Plan (such as in connection with a stock split or spin-off). Unless otherwise defined in this Notice of Grant of Restricted Stock Units (this "Notice of Grant"), capitalized words that are defined in the Plan or the RSU Agreement have the meanings given to them in the Plan or RSU Agreement, as applicable. Additional terms of this grant are as follows:

GRANT NUMBER: [number]

GRANT DATE: [date]

VESTING BASE DATE: [date]

VESTING SCHEDULE: [For Directors' Annual Awards: All of the RSUs vest the day before the next annual stockholders meeting of Cypress Semiconductor Corporation.]

RSUs Scheduled to Vest

Vesting Date

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

You acknowledge and agree that this Notice of Grant (including the vesting schedule above) does not constitute an express or implied promise of continued engagement as an Employee, Consultant or Director for the vesting period, for any period, or at all. **[For Directors Only:** In addition, this Notice of Grant shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the stockholders to remove a Director from the Board at any time in accordance with the provisions of applicable law.]

You will not receive any Shares upon vesting unless and until satisfactory arrangements (as determined by the Administrator) have been made with respect to the collection of all Tax-Related Items that the Company or your Employer determines must be withheld with respect to such Shares to be delivered upon the vesting of the RSUs. Currently, you can view the tax withholding collection method(s) that the Administrator has made available to you, including the default collection method (and if applicable you may be able to select an alternate method) by accessing your Plan account at www.ETRADE.com.

The Company's online acceptance procedure requires that you open each of the linked documents in order to proceed to acceptance.

Please confirm your acceptance of this Award by clicking the "Accept" (or similar wording) button on the award acceptance screen of your Plan account at www.ETRADE.com. If you wish to *reject* this award, you must so notify the Company's Stock Plan Administrator in writing to stockadmin@cypress.com no later than sixty (60) days after the grant date shown above. If within such sixty (60) day period you neither affirmatively accept nor affirmatively reject this Award, you will be deemed to have accepted this Award at the end of such sixty (60) day period pursuant to the terms and conditions set forth in this Notice of Grant, the RSU Agreement, and the Plan.

By your acceptance of this Award:

- you acknowledge receiving and reviewing this Notice of Grant, the RSU Agreement, the Plan, and the Company's related Prospectus;

- you agree that the RSUs are granted under and governed by the terms and conditions of, and you agree to be bound by the terms of, this Notice of Grant, the RSU Agreement, and the Plan;
- you agree to accept as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions relating to the Plan and this Award; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the RSU Agreement for the purpose of implementing, administering and managing your participation in the Plan.**

This Notice of Grant shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and upon acceptance shall be deemed to have been executed and delivered by the parties hereto as of the grant date shown above.

**CYPRESS SEMICONDUCTOR CORPORATION
2013 STOCK PLAN, AS AMENDED**

RESTRICTED STOCK UNIT AGREEMENT

1. Grant. Cypress Semiconductor Corporation (the "Company") hereby grants to the Participant named in the Notice of Grant of Restricted Stock Units (the "Notice of Grant") an Award of Restricted Stock Units ("RSUs"), as set forth in the Notice of Grant and subject to the terms and conditions in this Restricted Stock Unit Agreement ("Agreement"), in the Company's 2013 Stock Plan, as amended, and in any applicable sub-plan for the Participant's country (such plan and any such sub-plan, collectively, the "Plan"). A sub-plan is applicable to this Award if, but only if, the country-specific terms for the Participant's country as set forth in Appendix A state that this Award is granted under or subject to such sub-plan. Unless otherwise defined herein, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

2. Company's Obligation. Each RSU represents the right of the Participant to receive a Share of Common Stock of the Company on the date on which all applicable vesting conditions established by the Notice of Grant, this Agreement, and the Plan have been satisfied (the "Vesting Date"). Unless and until RSUs vest, the Participant will have no right to receive Shares (or any other payment) in connection with such RSUs. Prior to actual distribution of Shares in settlement of any vested RSUs, such RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule and Vesting Conditions. Subject to Section 4 below, the RSUs awarded by this Agreement shall vest and become non-forfeitable in accordance with the vesting schedule specified in the Notice of Grant (the "Vesting Schedule"). With respect to each scheduled Vesting Date, the Participant's Continuous Status as an Employee, Consultant or Director from the grant date specified in the Notice of Grant (the "Date of Grant") until such Vesting Date is a condition to the vesting of the RSUs scheduled to vest on such date. Employment or service for only a portion of such vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or in the Plan.

4. Forfeiture upon Termination as an Employee, Consultant or Director; Leaves of Absence.

(a) Forfeiture upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant's Continuous Status as an Employee, Consultant or Director ceases for any or no reason after the Date of Grant but prior to a Vesting Date, any unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and, if applicable, at no cost to the Company affiliate that actually employs or otherwise engages the Participant (the "Employer"). Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement or the Plan.

(b) Unpaid Leaves of Absence. Unless otherwise provided by the Administrator (such as in a leave of absence vesting policy or otherwise) and subject to compliance with all applicable laws, in the event the Participant takes an approved but unpaid leave of absence ("LOA") from the Company or the Employer (as applicable), each Vesting Date that has not occurred as of the commencement of such LOA shall be tolled for the number of calendar days that the Participant is on such LOA. (For example, if the next scheduled Vesting Date is July 1 and prior to that date the Grantee takes a LOA spanning 20 calendar days, that Vesting Date shall (unless otherwise provided by the Administrator) be tolled for 20 days and shall become July 21 and all future Vesting Dates shall be similarly rescheduled).

5. Settlement in Shares after Vesting. Subject to Section 17 (regarding tax matters), any RSUs that vest in accordance with this Agreement will be settled by delivery of Shares to the Participant (or in the event of the Participant's death, to his or her estate) as soon as practicable after (and in no case more than seventy-four days after) the date such RSUs vest and become non-forfeitable.

6. Payments after Death. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company (including, without limitation, voting and dividend rights) in respect of any Shares deliverable hereunder unless and until certificates (or book-entry positions) representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant or the Participant's broker.

8. No Effect on Employment or Status.

(a) If the Participant is employed in the United States, (1) the Participant's employment or other service relationship with the Company or the Employer is on an at-will basis only and accordingly, the terms of the Participant's employment or other service relationship with the Company or the Employer will be determined from time to time by the Company or the Employer, and the Company or the Employer will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or other service relationship of the Participant at any time for any reason whatsoever, with or without good cause or notice; and (2) the Participant understands and agrees that the vesting of the RSUs subject to this Award pursuant to Section 3 above is subject to the Participant's continuing in the employ or service of the Company or the Employer through each applicable Vesting Date.

(b) This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the stockholders to remove a Director from the Board at any time in accordance with the provisions of applicable law.

9. Address for Notices. (a) Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 198 Champion Court, San Jose, California 95134-1599, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing or electronically. (b) Any notice to be given to the Participant under the terms of this Agreement will be addressed to the Participant's address appearing on the books of the Company or to the Participant's residence or to such other address as may be designated in writing by the Participant. Notices may also be delivered to the Participant, during his or her employment, through the Company's inter-office or electronic mail systems.

10. Grant is Not Transferable. Except to the limited extent provided in Section 6 of this Agreement, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

12. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state, federal, or foreign law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. state or federal law or securities exchange and to obtain any such consent or approval of any domestic governmental authority.

13. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. The Participant has been provided a copy of the Plan and has had an opportunity to review the Plan and shall be bound by all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.

14. Administrator Authority. The Administrator will have the power to interpret the Plan, this Agreement, and the Notice of Grant and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company, and all other interested persons. No member of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

15. Additional Terms for Participants Providing Services Outside the United States. To the extent the Participant provides (or provided, subsequent to the vesting base date set forth in the Notice of Grant) services to the Company or the Employer in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as are set forth for such country in Appendix A attached hereto.

16. **Data Privacy.** *The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Employer and the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.*

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number, passport number, or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data may be transferred to such stock plan service provider (or providers) as may be selected by the Company which is (or are) assisting in the implementation, administration and management of the Plan and awards granted thereunder. The Participant understands that these recipients of Data may be located in the United States, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant hereby authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan and awards granted thereunder to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan and the Participant's continued eligibility for this Award or eligibility to be granted any other awards under the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal

of consent, the Participant understands that he or she may contact his or her local human resources representative.

17. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any and all income or withholding tax (including federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of RSUs, the issuance of Shares, the subsequent sale of any Shares acquired under the Award and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items that the Company determines it or the Employer is required to withhold under applicable laws with respect to the RSUs. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligation with regard to all Tax-Related Items by any one or a combination of the following methods: (1) by requiring the Participant to pay such amount in cash or by check; (2) by deducting such amount out of wages or any other cash compensation otherwise payable to the Participant by the Company and/or the Employer; (3) by withholding (and/or reacquiring) a number of Shares issuable (or issued) in payment of the RSUs having a Fair Market Value equal to such amount; (4) by requiring the Participant to deliver to the Company already owned shares of Common Stock having a Fair Market Value equal to such amount; and/or (5) withholding such amount from the proceeds of a sale of a sufficient number of Shares issued upon vesting of the RSUs ("Sell-To-Cover") either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization). For these purposes, the Fair Market Value of any Shares to be withheld or repurchased, as applicable, shall be determined on the date that Tax-Related Items are to be determined. To the extent any of the above methods involves a sale of Shares, the Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for such sale of Shares at any particular price.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested portion

of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

(c) The Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's receipt of RSUs, the vesting of RSUs, or the issuance of Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to the Participant if the Participant fails to comply with the Participant's obligations in connection with Tax-Related Items as described in this Section 17.

(d) The Participant understands that the Company may allow the Participant to select a tax withholding collection method and that, if no selection is made, the default collection method may be Sell-To-Cover. In that default case and/or if the Participant subsequently selects Sell-To-Cover (or the related "same-day sale" alternative), the Participant hereby agrees and instructs that a sufficient number of Shares issued in payment of RSUs that become non-forfeitable shall be sold by the Company's designated brokerage firm on the Participant's behalf and for the Participant's account pursuant to this authorization on or as soon as administratively possible after the date of issuance. This paragraph is intended as a trading plan meeting the requirements of Rule 10b5-1(c)(1)(i) under the U.S. Securities Exchange Act of 1934, as amended. The Participant hereby represents and warrants that (a) at the time of entering into this Agreement and trading plan and at the time of making any subsequent Sell-To-Cover or "same-day sale" election constituting a trading plan hereunder, he or she is not aware of any material, nonpublic information regarding the Company or its securities and (b) he or she is entering into this Agreement and any such trading plan in good faith and not as part of a plan or scheme to avoid the prohibitions of Rule 10b5-1. The Participant agrees (i) never to directly or indirectly communicate any material, non-public information regarding the Company to the Company's designated brokerage firm or any employee or affiliate thereof and (ii) at any time an above trading plan is in effect, (x) not to influence how, when, or whether the Shares are sold (other than by selecting a different tax withholding collection method that does not involve sale of Shares, which is equivalent to terminating the trading plan), and (y) not to enter into or alter a corresponding hedging transaction or position with respect to the Shares. The Participant agrees that he or she will not change the tax withholding collection method to Sell-To-Cover (or to the related "same-day sale" alternative) at a time when he or she would be prohibited from trading under the Company's Insider Trading Policy (as defined below).

18. Miscellaneous.

(a) Headings. The headings in this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction of, and shall not constitute a part of, this Agreement.

(b) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be made under the Plan (or other Company equity plans) by electronic means, request the Participant's consent to participate in the Plan (or other Company equity plans) by electronic means, or deliver vested Shares by book-entry to the Participant's account at a brokerage selected by the Company. The Participant hereby

consents to receive such documents by electronic delivery, authorizes vested shares to be delivered to such a brokerage account by book-entry, and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third-party brokerage designated by the Company.

(c) Section 409A. This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Participant shall be solely responsible for any and all tax liability with respect to the Award.

(d) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(e) Governing Law/Choice of Venue.

(1) This Agreement and the rights of the Participant hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof).

(2) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(f) Imposition of Other Requirements. If the Participant relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Participant's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(g) No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) Insider Trading Restrictions/Market Abuse Laws. The Participant acknowledges and agrees that he or she is subject to the Company's Amended and Restated Insider Trading Policy as may be amended from time to time (the "Insider Trading Policy") including its restrictions that extend for a limited period of time after the Participant's termination of service. In addition, the Participant understands that he or she may be subject to insider trading restrictions under securities laws, market

abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Participant acknowledges that it is the Participant's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Participant's acquisition, holding, and any disposition of Shares or rights to Shares.

(i) Recoupment. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Board or the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to this Award, any Shares that may be issued in respect of this Award, and any proceeds (including dividends and sale proceeds) of such Shares.

(j) Entire Agreement. This Agreement, the Notice of Grant, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Signature and Acceptance. This Agreement shall be deemed to have been accepted and signed by the Participant and the Company as of the Date of Grant upon the Participant's online acceptance or deemed acceptance as set forth in the Notice of Grant.

(l) Modifications. The provisions of this Agreement may not be changed, modified, or waived in a manner that is adverse to the Participant's interests except by means of a writing signed by the Participant and the Company.

APPENDIX A

This Appendix A to the Company's 2013 Stock Plan, as amended (the "Plan") Restricted Stock Unit Agreement (the "Agreement") includes special terms and conditions applicable to Participants in the countries below. These terms and conditions are in addition to or substitute for, as applicable, those set forth in the Agreement. Any capitalized term used in this Appendix A without definition shall have the meaning ascribed to such term in the Plan or the Notice of Grant, as applicable.

Each Participant is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in the Participant's country may apply to the Participant's individual situation.

ALL COUNTRIES OUTSIDE THE UNITED STATES

The following provisions replace Section 8(a) of the Agreement:

Nature of Award. In accepting the Award, the Participant acknowledges, understands and agrees that:

- (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;
- (ii) the Award of RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded repeatedly in the past;
- (iii) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
- (iv) the Participant's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's employment relationship;
- (v) the Participant's participation in the Plan is voluntary;
- (vi) the Award of RSUs is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and which is outside the scope of the Participant's employment contract, if any;
- (vii) the Award of RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary;
- (viii) in the event that the Participant is not an employee of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company; and furthermore, the Award will not be interpreted to form an employment contract with the Employer or any Subsidiary;
- (ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of the Participant's Continuous Status as an Employee, Consultant or Director by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the Award of RSUs to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) in the event of termination of the Participant's Continuous Status as an Employee, Consultant or Director (whether or not in breach of local labor laws), the Participant's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively employed by or does no longer actively render services to the Company or any of its Subsidiaries and will not be extended by any notice period mandated under local law; the Administrator shall have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of this Award of RSUs.

CANADA

Settlement of RSUs. Notwithstanding any terms or conditions of the Plan or the Agreement to the contrary, RSUs will be settled in shares of Common Stock only, not cash.

Securities Law Information. You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the NASDAQ.

Termination of Employment. This provision replaces Section 4(a) of the Agreement:

In the event of your termination of employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you are no longer actively providing service or (2) the date you receive notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the RSUs.

The following provisions apply if you are resident in Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that this Agreement, including this Appendix, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention (« Agreement ») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Maternity and Paternity Leave. For the avoidance of doubt, Section 4(b) of the Agreement shall not apply to any maternity or paternity leave to which employees in Canada are entitled by law.

CHINA

Mandatory Sale Restriction

Due to regulatory requirements in China, the Company reserves the right to require the sale of any shares of the Company's Common Stock acquired under the Plan within 30 days following the termination of the Participant's employment or service with the Company (including its subsidiaries and affiliates). The Participant authorizes the Company, in its sole discretion, to instruct its designated broker to assist with the mandatory sale of shares of Common Stock issued upon vesting of RSUs following the Participant's termination of employment or service with the Company (including its subsidiaries and affiliates) and, in this regard, the Participant authorizes the Company's designated broker to complete the sale of such Common Stock on the Participant's behalf pursuant to this authorization upon receipt of the Company's instructions. The Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for the sale of the Shares at any particular price and that, upon the sale of the Shares, the proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy any applicable taxes or other tax-related items, will be remitted to the Participant in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions

The Participant understands and agrees that, pursuant to local exchange control requirements, the Participant (i) is not permitted to transfer any Shares acquired under the Plan out of the account established by the Participant with the Company's designated broker, and (ii) will be required to repatriate all cash proceeds resulting from the Participant's participation in the Plan, including cash dividends paid by the Company on Shares acquired under the Plan and/or the sale of such Shares (together, the "cash proceeds"). The Participant further understands that, under local law, such repatriation may need to be effectuated through a special exchange control account established by the Company or one of its subsidiaries and the Participant hereby consents and agrees that all cash proceeds may be transferred to such special account prior to being delivered to the Participant and that any interest earned on the cash proceeds prior to distribution to the Participant will be retained by the Company to partially offset the cost of administering the Plan. The Participant understands that the cash proceeds may be paid to the Participant from this special account in U.S. dollars or in local currency, at the Company's discretion. If the cash proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to establish a U.S. dollar bank account in China so that the cash proceeds may be deposited into this account. If the cash proceeds are converted to local currency, the Participant acknowledges that the Company is under no obligation to secure any exchange conversion rate, and the Company may face delays in converting the cash proceeds to local currency due to exchange control restrictions in China. The Participant agrees to bear the risk of any exchange conversion rate fluctuation between the date the cash dividend is paid and/or the Shares are sold, as applicable, and the date of conversion of the cash proceeds to local currency. The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FINLAND

No country-specific Agreement terms apply.

FRANCE

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, employment history and status, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third party is E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005, however the Company may retain additional or different third parties for any of the purposes mentioned. The Company may also make the Data available to public authorities where required under locally applicable law. These recipients may be located in the United States, the European Economic Area, or elsewhere, which the Participant separately and expressly consents to, accepting that outside the European Economic Area, data protection laws may not be as protective as within. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company through its local H.R. Director; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. Data will only be held as long as necessary to implement, administer and manage the Participant's participation in the Plan and any subsequent claims or rights.

French Language Provision. By accepting this Agreement, Participant confirms having read and understood the documents relating to the Plan which were provided to Participant in the English language. Participant accepts the terms of those documents accordingly.

French translation: *En acceptant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

Exchange Control Information. If you import or export cash (e.g., sales proceeds received under the Plan) with a value equal to or exceeding €10,000 and do not use a financial institution to do so, you must submit a report to the customs and excise authorities.

Tax Reporting. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when filing your annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Participant must acknowledge and accept the Agreement by signing a copy of the Agreement and returning the original signed document within 30 days after the date of the electronic mail notification of the Agreement. For the avoidance of doubt, this Agreement may be accepted electronically or please sign and return the Agreement to: Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

No Impact on Other Rights. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of RSUs or other awards under the Plan in the future.

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In the event that you make or receive a payment in excess of this amount, you are responsible for obtaining the appropriate form from the remitting bank and complying with applicable reporting requirements.

Consent to Personal Data Processing and Transfer.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), at the time being E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005. These recipients are located in the European Economic Area, but also outside and in so-called insecure third-party countries that do not guarantee the data privacy protection level of the European Economic Area, for example the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

HONG KONG

WARNING: The RSUs and Shares do not constitute a public offering of securities under Hong Kong law and are available only to Employees. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each Employee and may not be distributed to any other person. If the Employee

is in any doubt about any of the contents of the Agreement, including this Appendix or the Plan, the Employee should obtain independent professional advice.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the award will be settled in Shares. In no event will the Award be settled in the form of cash.

Sale of Shares. To facilitate compliance with securities laws in Hong Kong, in the event the Employee's RSUs vest and Shares are issued to the Employee within six months of the Date of Grant, the Employee agrees that he or she will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, then the Employee's grant shall be void.

INDIA

Exchange Control Notification. The Participant understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the funds into local currency within 90 days of receipt. The Participant must obtain a foreign inward remittance certificate ("FIRC") from the bank where the Participant deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company requests proof of repatriation. **It is your responsibility to comply with applicable exchange control laws in India.**

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

IRELAND

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Exclusion from Termination Indemnities and Other Benefits. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, the Participant acknowledges, understands, and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

Director Notification. If the Participant is a director, shadow director or secretary of an Irish subsidiary of the Company, the Participant is subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is an obligation to notify the Irish affiliate in writing within five (5) business days when the Participant receives an interest (e.g., RSUs, Shares) in the Company and the number and class of shares or rights to which the interest relates. In addition, the Participant must notify the Irish subsidiary within five (5) business days when the Participant sells Shares acquired under the Plan. This notification requirement also applies to any rights or Shares acquired by the Participant's spouse or children (under the age of 18).

ISRAEL

Securities Law Notice. This RSU Award is granted pursuant to an exemption issued by the Israeli Securities Authority under Section 15D of the Securities Law of 1968. The grant of this RSU Award and the issuance of its underlying shares are registered with the U.S. Securities and Exchange Commission on Form S-8. The Company will make available to any interested Israeli offeree, at his or her workplace, the Form S-8 and all documents attached to the Form S-8, including any document directly or indirectly referred to in the Form S-8 or in its exhibits. To request any such documents, please contact stockadmin@cypress.com.

Sub-Plan and Tax-Based Restrictions. If on the Date of Grant the Holder is an employee of the Company's subsidiary in Israel, Cypress Semiconductors Ltd., then this Award is granted under and subject to the terms of the Cypress Semiconductor Corporation 2013 Stock Plan Sub-Plan for Israeli Taxpayers (the "Israeli Sub-Plan") and the Participant acknowledges and agrees to the following: This Agreement is granted under and governed by the Plan, the Israeli Sub-Plan, Section 102(b)(2) of the Israeli Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith ("Section 102"), and the trust agreement (the "Trust Agreement") between the Company and the Trustee (as defined in the Israeli Sub-Plan).

- The proceeds of any shares of Common Stock issued upon vesting of the RSUs will be remitted by the Company or its designated broker to the Trustee to administer on Participant's behalf, pursuant to the terms of Section 102 and the Trust Agreement.
- Participant is familiar with the terms and provisions of Section 102, particularly the Capital Gains Track (as defined in the Israeli Sub-Plan) described in subsection (b)(2) thereof, and agrees that Participant will not release or sell (or require the Trustee to release or sell) the RSUs or underlying shares of Common Stock during the Restricted Holding Period (as defined in the Israeli Sub-Plan), unless permitted to do so by applicable law.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan, including transfers outside of Israel and further transfers thereafter. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent

herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

ITALY

Data Privacy Notice and Consent

This provision replaces the "Data Privacy" section of the Agreement.

Participant hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this section of Appendix A by and among, as applicable, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder).

Participant understands that the Company and any Subsidiary may hold certain personal information about Participant, including but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of the RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of managing and administering the Plan ("Personal Data").

Participant also understands that providing the Company with Personal Data is necessary for the performance of the Plan and that Participant's denial to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect Participant's ability to participate in the Plan. The Controller of Personal Data processing is Cypress Semiconductor Corporation, with its principal offices at 198 Champion Court, San Jose, California 95134, United States of America, and, pursuant to Legislative Decree no. 196/2003, its representative is Cypress Semiconductor GmbH (a subsidiary of Cypress Semiconductor Corporation) - Willy-Brandt-Allee 4, 81829 Munich, Germany.

Participant understands that Personal Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan (and grants of awards made thereunder). Participant further understands that the Company and/or a Subsidiary will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan (and grants of awards made thereunder), and that the Company and/or a Subsidiary may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), including any requisite transfer of Personal Data to a broker or other third party with whom Participant may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder). Participant understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Participant understands that Personal Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area as specified herein and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan (and grants of awards made thereunder). Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Participant has the right to, including but not limited to, access, delete, update, correct or stop, for legitimate reason, the Personal Data processing. Furthermore, Participant is aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting Participant's human resources department.

Plan Document Acknowledgment. In accepting the RSU, the Participant acknowledges that a copy of the Plan was made available to the Participant and that the Participant has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan, the Agreement and this Appendix.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Vesting Schedule and Vesting Conditions and Nature of Award, as well as the following provision in the Plan: Restricted Stock/Restricted Stock Units.

Additional Tax/Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Common Stock to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including proceeds from the sale of Common Stock acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to taxable income in Italy; and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (a) above if the transfer or investment is made through an authorized broker resident in Italy.

JAPAN

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold the following personal information for the purpose of managing and administering the Plan ("Data"): the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor. From time to time, the Company may change the scope of its affiliates that hold, use or process Participant's personal information or the scope of Participant's personal information to be held,

used or processed by the Company, its affiliates and the Participant's employer, by providing, or making easily accessible, information about such change to the Participant. The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, Japan or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

KOREA

Exchange Control Information. Korean residents who realize US\$500,000 or more from the sale of shares of Common Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MALAYSIA

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information from the Participant's Participant records, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder) and will disclose certain Data to the Inland Revenue Board and other relevant authorities as required by law. These recipients may be located in the United States, the European Economic Area, Malaysia or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Data will be retained by the Company, its affiliates and the Participant's employer for the entire duration of the Participant's employment or service and for a further seven years after cessation of employment or service. The holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting Zauyah Kechik (or other authorized individual), at Sdn. Bhd. (613545-T), Phase II, Free Industrial Zone, Bayan Lepas, 11900 Penang, Malaysia; site phone no: +60 4 888 2000.

Disclosure of Data is obligatory for the implementation, administration and management of the Plan (and grants of awards made thereunder); however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Director Notification. If the Participant is a director of a subsidiary or other related company in Malaysia, then the Participant is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related companies. In addition, the Participant must notify the Malaysian subsidiary when he or she sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company or any related company.

Securities Law Information. Malaysian insider-trading rules may impact the acquisition or disposal of Shares or rights to Shares under the Plan. Under such rules, the Participant is prohibited from acquiring Shares or rights to Shares (e.g., RSUs) or selling Shares when he or she possesses information that is not generally available and which the Participant knows or should know will have a material effect on the price of the Shares once such information is generally available. By accepting this grant, the Participant acknowledges that he or she is not in possession of any material, non-publicly disclosed information regarding the Company at the time of grant and will not acquire or sell Shares when in possession of any material, non-publicly disclosed information regarding the Company.

PHILIPPINES

Securities Law Information. The sale or disposal of Shares acquired under the Plan may be subject to certain restrictions under Philippines securities laws. Those restrictions should not apply if the offer and resale of Shares takes place outside of the Philippines through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the NASDAQ. The Company's designated broker should be able to assist the Participant in the sale of Shares on the NASDAQ. *If the Participant has questions with regard to the application of Philippines securities laws to the disposal or sale of Shares acquired under the Plan the Participant should consult with his or her legal advisor.*

SINGAPORE

Securities Law Information. The RSUs were granted to the Participant pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Agreement and the Plan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that the Participant's RSUs are subject to section 257 of the SFA and the Participant will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of the Shares unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Participant is a director, associate director or shadow director of a subsidiary or other related company in Singapore, the Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related company. In addition, the Participant must notify the Singapore subsidiary when the Participant sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the

Company or any related company. In addition, a notification must be made of the Participant's interests in the Company or any related company within two business days of becoming a director.

Insider Trading Notification. You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to shares of Common Stock under the Plan. Under the Singapore insider trading rules, you are prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (*e.g.*, RSUs under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Common Stock once such information is generally available.

SWEDEN

No country-specific Agreement terms apply.

TAIWAN

Exchange Control Information. You may remit foreign currency (including proceeds from the sale of Common Stock) into or out of Taiwan up to US\$5,000,000 per year without special permission. If the transaction amount is TWD500,000 or more in a single transaction, you must submit a *Foreign Exchange Transaction Form* to the remitting bank and provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

No country-specific Agreement terms apply.

THE NETHERLANDS

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, citizen service number (*burgerservicenummer*) (former social security number) or other Participant tax identification number (insofar as allowed), salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third parties are E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005., however the Company may retain additional or different third parties for any of the purposes mentioned. These recipients may be located in the United States, the European Economic Area, or elsewhere. Countries outside the European Economic Area do not provide for a similar level of data protection as within the European Economic Area pursuant to the European Data Protection Directive 95/46/EC. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the

administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. The holder understands that he or she may request a list of the names and addresses of the third party recipients of Data by contacting the Company through its local H.R. Representative at Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

UNITED KINGDOM

Eligible Individual. For the purpose of RSUs awarded in the UK, Consultants and Outside Directors are not eligible to receive awards.

Tax Withholding.

The following is added to the "Responsibility for Taxes" section of the Agreement.

The Participant will be liable for and agrees to indemnify and keep indemnified the Company, any subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, Participant's National Insurance contributions and employer's National Insurance Contributions) that is attributable to (i) the grant or vesting of, or any benefit derived by the Participant from, the RSUs, (ii) the acquisition by the Participant of the Common Stock on the settlement of the RSUs, or (iii) the disposal of any Common Stock.

The RSUs will not vest until the Participant has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting or settlement of the RSUs and/or the acquisition of the Common Stock by the Participant. The Company shall not be required to issue, allot or transfer Common Stock until the Participant has satisfied this obligation.

No Right to Continued Employment.

This provision supplements the "Nature of Award" section of the Agreement.

Neither the RSUs nor this Agreement:

- (i) confers upon the Participant any right to continue to be an Employee, Consultant or Director of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate the Participant's employment at any time; or
- (ii) forms part of the Participant's entitlement to remuneration and benefits in terms of his/her employment, or affects the Participant's terms and conditions of employment.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information (including sensitive personal information) such as the Participant's name,

home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). By participating in the Plan, the Participant agrees that the Company, its affiliates and the Participant's employer may hold and process such Data, and may transfer Data to any third parties assisting the Company or its affiliates in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, process, use, hold, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder) and in the course of the Company's business, including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Joint Election. As a condition of the grant of RSUs, the Participant agrees to accept any liability for secondary Class 1 National Insurance contributions (the "Employer NICs") which may be payable by the Company or the Employer with respect to the vesting of the RSUs or otherwise payable with respect to a benefit derived in connection with the RSUs.

Without limitation to the foregoing, if requested by the Company, the Participant agrees to execute a joint election between the Company and/or the Employer and Participant (the "Joint Election"), the form of such Joint Election being formally approved by Her Majesty's Revenue & Customs ("HMRC"), and any other consent or election required to accomplish the transfer of the Employer NICs to the Participant. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. If the Participant does not enter into a Joint Election in response to a Company request, no Shares shall be issued to the Participant (and neither the Company nor the Employer shall have any liability with respect to such non-issuance of shares). The Participant further agrees that the Company and/or the Employer may collect the Employer NICs from the Participant by any means.

If the Participant has signed a Joint Election in the past with respect to an RSU award granted to him or her by the Company and that Joint Election applies to all grants made under the Plan, the Participant need not sign another Joint Election in connection with this RSU grant.

Responsibility for Taxes. This provision supplements the Agreement:

You agree that, if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe at vesting and settlement of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the

funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares of Common Stock issued upon vesting of your RSUs or from the cash proceeds from the sale of shares of Common Stock or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares of Common Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are such a director or executive officer and the income tax that is due is not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any Participant national insurance contributions due on this additional benefit.

NOTICE OF GRANT OF MILESTONE-BASED RESTRICTED STOCK UNITS

Congratulations! You have been granted an Award of Milestone-Based Restricted Stock Units ("RSUs") under the Cypress Semiconductor Corporation 2013 Stock Plan, as amended, and any applicable sub-plan thereto for your country (collectively, the "Plan"), as follows:

PARTICIPANT NAME: [name]

PARTICIPANT ID: [ID#]

TARGET NUMBER OF RSUs GRANTED: [number]

Each RSU is equivalent to one Share of Common Stock of Cypress Semiconductor Corporation (the "Company") for purposes of determining the number of Shares subject to this Award. The RSUs are subject to forfeiture prior to vesting. None of the RSUs will vest (nor will you have the rights of a stockholder with respect to the underlying Shares) until you satisfy the vesting conditions described below and in the Milestone-Based Restricted Stock Unit Agreement accompanying this notice (the "RSU Agreement"). The number of unvested RSUs and underlying Shares is subject to adjustment under Section 16 of the Plan (such as in connection with a stock split or spin-off). Unless otherwise defined in this Notice of Grant of Milestone-Based Restricted Stock Units (this "Notice of Grant"), capitalized words that are defined in the Plan or the RSU Agreement have the meanings given to them in the Plan or the RSU Agreement, as applicable. Additional terms of this grant are as follows:

GRANT NUMBER: [number]

GRANT DATE: [date]

VESTING BASE DATE: [date]

VESTING SCHEDULE:

| <u>Target Number of RSUs</u> | <u>Vesting Date</u> |
|------------------------------|---------------------|
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
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| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |
| [number of shares] | [date] |

You acknowledge and agree that this Notice of Grant (including the vesting schedule above) does not constitute an express or implied promise of continued engagement as an Employee or Consultant for the vesting period, for any period, or at all.

You will not receive any Shares upon vesting unless and until satisfactory arrangements (as determined by the Administrator) have been made with respect to the collection of all Tax-Related Items that the Company or your Employer determines must be withheld with respect to such Shares to be delivered upon the vesting of the RSUs. Currently, you can view the tax withholding collection method(s) that the Administrator has made available to you, including the default collection method (and if applicable you may be able to select an alternate method) by accessing your Plan account at www.ETRADE.com.

The Company's online acceptance procedure requires that you open each of the linked documents in order to proceed to acceptance.

Please confirm your acceptance of this Award by clicking the "Accept" (or similar wording) button on the award acceptance screen of your Plan account at www.ETRADE.com. If you wish to *reject* this award, you must so notify the Company's Stock Plan Administrator in writing to stockadmin@cypress.com no later than sixty (60) days after the grant date shown above. If within such sixty (60) day period you neither affirmatively accept nor affirmatively reject this Award, you will be deemed to have accepted this Award at the end of such sixty (60) day period pursuant to the terms and conditions set forth in this Notice of Grant, the RSU Agreement, and the Plan.

By your acceptance of this Award:

- you acknowledge receiving and reviewing this Notice of Grant, the RSU Agreement, the Plan, and the Company's related Prospectus;

- you agree that the RSUs are granted under and governed by the terms and conditions of, and you agree to be bound by the terms of, this Notice of Grant, the RSU Agreement, and the Plan;
- you agree to accept as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions relating to the Plan and this Award; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the RSU Agreement for the purpose of implementing, administering and managing your participation in the Plan.**

This Notice of Grant shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and upon acceptance shall be deemed to have been executed and delivered by the parties hereto as of the grant date shown above.

**CYPRESS SEMICONDUCTOR CORPORATION
2013 STOCK PLAN, AS AMENDED**

MILESTONE-BASED RESTRICTED STOCK UNIT AGREEMENT

1. Grant. Cypress Semiconductor Corporation (the "Company") hereby grants to the Participant named in the Notice of Grant of Milestone-Based Restricted Stock Units (the "Notice of Grant") an Award of Restricted Stock Units ("RSUs"), as set forth in the Notice of Grant and subject to the terms and conditions in this Milestone-Based Restricted Stock Unit Agreement ("Agreement"), in the Company's 2013 Stock Plan, as amended, and in any applicable sub-plan for the Participant's country (such plan and any such sub-plan, if applicable, collectively, the "Plan"). A sub-plan is applicable to this Award if, but only if, the country-specific terms for the Participant's country as set forth in Appendix A state that this Award is granted under or subject to such sub-plan. Unless otherwise defined herein, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan (the "Agreement").

2. Company's Obligation. Each Milestone-based RSU represents the right to receive a Share of Common Stock of the Company on the Vesting Date (as defined below) if and to the extent that the vesting conditions established by or pursuant to the Notice of Grant, this Agreement and the Plan have been satisfied. Unless and until RSUs vest, the Participant will have no right to receive Shares (or any other payment) in connection with such RSUs. Prior to actual distribution of Shares in settlement of any vested RSUs, such RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Conditions and Procedure.

(a) Vesting Conditions. Subject to Section 4 below, the vesting of RSUs on each scheduled vesting date set forth in the Notice of Grant (each, a "Vesting Date") shall be subject to (i) the Participant's Continuous Status as an Employee, Consultant or Director from the grant date specified in the Notice of Grant (the "Date of Grant") to such Vesting Date (the "Service-Based Condition") and (ii) satisfaction of the applicable performance conditions prior to such Vesting Date as described below. Employment or service for only a portion of the vesting period described in clause (i) above, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or in the Plan. For each scheduled Vesting Date, the Administrator shall designate an associated performance period (each, a "Performance Period") that ends no later than such Vesting Date and shall establish performance targets applicable to such Performance Period. The Administrator shall also establish a methodology for determining the percentage of the target number of RSUs set forth opposite such Vesting Date in the Vesting Schedule (the "Target Number of RSUs") that will be credited to the Participant based on relative achievement of such performance targets ("Performance-Based Criteria"). Performance-Based Criteria (1) shall be established by the Administrator not later than thirty (30) days after the start of a quarterly or semi-annual Performance Period to which they relate, and no later than ninety (90) days after the start of an annual (or longer) Performance Period to which they relate and (2) shall be communicated

to the Participant promptly after being established by the Administrator. Within sixty (60) days following the end of each Performance Period, the Administrator shall determine whether and the extent to which the performance targets for that Performance Period were met and will confirm the crediting percentage (the "Crediting Percentage") that applies pursuant to the previously established methodology. Such determination shall be final and binding absent manifest error. In no event shall the Crediting Percentage be greater than 200 percent. For the avoidance of doubt, unless the Participant is an executive officer, the responsibilities allocated to the Administrator in this paragraph may be performed by an officer of the Company if the Administrator has delegated appropriate authority to such officer.

(b) Vesting Procedure. On each Vesting Date, if the Participant has satisfied the Service-Based Condition, the number of RSUs that shall vest and become non-forfeitable shall be equal to the Target Number of RSUs for such Vesting Date multiplied by the applicable Crediting Percentage. Any of the Target Number of RSUs for a particular Vesting Date that do not vest on such Vesting Date in accordance with this Section 3 shall terminate as of the last day of the associated Performance Period.

4. Forfeiture upon Termination as an Employee, Consultant or Director; Leaves of Absence.

(a) Forfeiture upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant's Continuous Status as an Employee, Consultant or Director ceases for any or no reason after the Date of Grant but prior to vesting, any unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and, if applicable, at no cost to the Company affiliate that actually employs or otherwise engages the Participant (the "Employer"). Neither the Participant nor any of the Participant's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement or the Plan.

(b) Unpaid Leaves of Absence. Unless otherwise provided by the Administrator (such as in a leave of absence vesting policy or otherwise) and subject to compliance with all applicable laws, in the event the Participant takes an approved but unpaid leave of absence ("LOA") from the Company or the Employer (as applicable) during a Performance Period, such LOA shall have the following effects:

- (1) if the Performance Period is one fiscal year or less and the portion of the Performance Period during which the Participant is on LOA is less than or equal to 25% of the Performance Period, then the number of Shares that actually vests on the Vesting Date associated with such Performance Period shall be the number that otherwise would have vested on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in the Performance Period during which the Participant was *not* on LOA, and the denominator of which is the number of calendar days in the Performance Period;
- (2) if the Performance Period is one fiscal year or less and the portion of the Performance Period during which the Participant is on LOA is greater than 25% of the Performance Period, then the Target Number of RSUs associated with such Performance Period shall be forfeited

when the length of the LOA exceeds 25% of the Performance Period and no RSUs shall be eligible to be earned or to vest for such Performance Period;

(3) if the Performance Period is longer than one fiscal year and the portion of the Performance Period during which the Participant is on LOA is 180 days or less, then the number of Shares that actually vests on the Vesting Date associated with such Performance Period shall be the number that otherwise would have vested on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in the Performance Period during which the Participant was *not* on LOA, and the denominator of which is the number of calendar days in the Performance Period; and

(4) if the Performance Period is longer than one fiscal year and the portion of the Performance Period during which the Participant is on LOA is 181 days or more, then the Target Number of RSUs associated with such Performance Period shall be forfeited on such 181st day and no RSUs shall be eligible to be earned or to vest for such Performance Period.

5. Settlement in Shares after Vesting. Subject to Section 17 (regarding tax matters), any RSUs that vest in accordance with this Agreement will be settled by delivery of Shares to the Participant (or in the event of the Participant's death, to his or her estate) as soon as practicable after (and in no case more than seventy-four days after) the date such RSUs vest and become non-forfeitable.

6. Payments after Death. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the administrator or executor of the Participant's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company (including, without limitation, voting and dividend rights) in respect of any Shares deliverable hereunder unless and until certificates (or book-entry positions) representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant or the Participant's broker.

8. No Effect on Employment or Status.

(a) If the Participant is employed in the United States, (1) the Participant's employment or other service relationship with the Company or the Employer is on an at-will basis only; and accordingly, the terms of the Participant's employment or other service relationship with the Company or the Employer will be determined from time to time by the Company or the Employer, and the Company or the Employer will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or other service relationship of the Participant at any time for any reason whatsoever, with or without good cause or notice; and (2) the Participant understands and agrees that the vesting of the RSUs subject to this Award pursuant to Section 3 is subject to performance conditions, as may be determined pursuant to the terms of this Agreement, and to the Participant's

continuing in the employ or service of the Company or the Employer through each applicable Vesting Date.

(b) This Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Company or the stockholders to remove a Director from the Board at any time in accordance with the provisions of applicable law.

9. Address for Notices. (a) Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 198 Champion Court, San Jose, California 95134-1599, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing or electronically. (b) Any notice to be given to the Participant under the terms of this Agreement will be addressed to the Participant's address appearing on the books of the Company or to the Participant's residence or to such other address as may be designated in writing by the Participant. Notices may also be delivered to the Participant, during his or her employment, through the Company's inter-office or electronic mail systems.

10. Grant is Not Transferable. Except to the limited extent provided in Section 6 of this Agreement, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

12. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state, federal, or foreign law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. state or federal law or securities exchange and to obtain any such consent or approval of any domestic governmental authority.

13. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. The Participant has been provided a copy of the Plan and has had an opportunity to review the Plan and shall be bound by all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.

14. Administrator Authority. The Administrator will have the power to interpret the Plan, this Agreement, and the Notice of Grant and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company, and all other interested persons. No member of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

15. Additional Terms for Participants Providing Services Outside the United States. To the extent the Participant provides (or provided, subsequent to the vesting base date set forth in the Notice of Grant) services to the Company or the Employer in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as are set forth for such country in Appendix A attached hereto.

16. Data Privacy. *The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Employer and the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.*

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number, passport number, or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data may be transferred to such stock plan service provider (or providers) as may be selected by the Company which is (or are) assisting in the implementation, administration and management of the Plan and awards granted thereunder. The Participant understands that these recipients of Data may be located in the United States, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant hereby authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan and awards granted thereunder to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that

he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan and the Participant's continued eligibility for this Award or eligibility to be granted any other awards under the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

17. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any and all income or withholding tax (including federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of RSUs, the issuance of Shares, the subsequent sale of any Shares acquired under the Award and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Participant shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items that the Company determines it or the Employer is required to withhold under applicable laws with respect to the RSUs. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligation with regard to all Tax-Related Items by any one or a combination of the following methods: (1) by requiring the Participant to pay such amount in cash or by check; (2) by deducting such amount out of wages or any other cash compensation otherwise payable to the Participant by the Company and/or the Employer; (3) by withholding (and/or reacquiring) a number of Shares issuable (or issued) in payment of the RSUs having a Fair Market Value equal to such amount; (4) by requiring the Participant to deliver to the Company already owned shares of Common Stock having a Fair Market Value equal to such amount; and/or (5) withholding such amount from the proceeds of a sale of a sufficient number of Shares issued upon vesting of the RSUs ("Sell-To-Cover") either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization). For these purposes, the Fair Market Value of any Shares to be withheld or repurchased, as applicable, shall be determined on the date that Tax-Related Items are to be determined. To the extent any of

the above methods involves a sale of Shares, the Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for such sale of Shares at any particular price.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

(c) The Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Participant's receipt of RSUs, the vesting of RSUs, or the issuance of Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to the Participant if the Participant fails to comply with the Participant's obligations in connection with Tax-Related Items as described in this Section 17.

(d) The Participant understands that the Company may allow the Participant to select a tax withholding collection method and that, if no selection is made, the default collection method may be Sell-To-Cover. In that default case and/or if the Participant subsequently selects Sell-To-Cover (or the related "same-day sale" alternative), the Participant hereby agrees and instructs that a sufficient number of Shares issued in payment of RSUs that become non-forfeitable shall be sold by the Company's designated brokerage firm on the Participant's behalf and for the Participant's account pursuant to this authorization on or as soon as administratively possible after the date of issuance. This paragraph is intended as a trading plan meeting the requirements of Rule 10b5-1(c)(1)(i) under the U.S. Securities Exchange Act of 1934, as amended. The Participant hereby represents and warrants that (a) at the time of entering into this Agreement and trading plan and at the time of making any subsequent Sell-To-Cover or "same-day sale" election constituting a trading plan hereunder, he or she is not aware of any material, nonpublic information regarding the Company or its securities and (b) he or she is entering into this Agreement and any such trading plan in good faith and not as part of a plan or scheme to avoid the prohibitions of Rule 10b5-1. The Participant agrees (i) never to directly or indirectly communicate any material, non-public information regarding the Company to the Company's designated brokerage firm or any employee or affiliate thereof and (ii) at any time an above trading plan is in effect, (x) not to influence how, when, or whether the Shares are sold (other than by selecting a different tax withholding collection method that does not involve sale of Shares, which is equivalent to terminating the trading plan), and (y) not to enter into or alter a corresponding hedging transaction or position with respect to the Shares. The Participant agrees that he or she will not change the tax withholding collection method to Sell-To-Cover (or to the related "same-day sale" alternative) at a time when he or she would be prohibited from trading under the Company's Insider Trading Policy (as defined below).

18. Miscellaneous.

(a) Headings. The headings in this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction of, and shall not constitute a part of, this Agreement.

(b) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be made under the Plan (or other Company equity plans) by electronic means, request the Participant's consent to participate in the Plan (or other Company equity plans) by electronic means, or deliver vested Shares by book-entry to the Participant's account at a brokerage selected by the Company. The Participant hereby consents to receive such documents by electronic delivery, authorizes vested shares to be delivered to such a brokerage account by book-entry, and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third-party brokerage designated by the Company.

(c) Section 409A. This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Participant shall be solely responsible for any and all tax liability with respect to the Award.

(d) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(e) Governing Law/Choice of Venue.

(1) This Agreement and the rights of the Participant hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof).

(2) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(f) Imposition of Other Requirements. If the Participant relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Participant's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(g) No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) Insider Trading Restrictions/Market Abuse Laws. The Participant acknowledges and agrees that he or she is subject to the Company's Amended and Restated Insider Trading Policy as may be amended from time to time (the "Insider Trading Policy") including its restrictions that extend for a limited period of time after the Participant's termination of service. In addition, the Participant understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Participant acknowledges that it is the Participant's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Participant's acquisition, holding, and any disposition of Shares or rights to Shares.

(i) Recoupment. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Board or the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to this Award, any Shares that may be issued in respect of this Award, and any proceeds (including dividends and sale proceeds) of such Shares.

(j) Entire Agreement. This Agreement, the Notice of Grant, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Signature and Acceptance. This Agreement shall be deemed to have been accepted and signed by the Participant and the Company as of the Date of Grant upon the Participant's online acceptance or deemed acceptance as set forth in the Notice of Grant.

(l) Modifications. The provisions of this Agreement may not be changed, modified, or waived in a manner that is adverse to the Participant's interests except by means of a writing signed by the Participant and the Company.

APPENDIX A

This Appendix A to the Company's 2013 Stock Plan, as amended (the "Plan") Restricted Stock Unit Agreement (the "Agreement") includes special terms and conditions applicable to Participants in the countries below. These terms and conditions are in addition to or substitute for, as applicable, those set forth in the Agreement. Any capitalized term used in this Appendix A without definition shall have the meaning ascribed to such term in the Plan or the Notice of Grant, as applicable.

Each Participant is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in the Participant's country may apply to the Participant's individual situation.

ALL COUNTRIES OUTSIDE THE UNITED STATES

The following provisions replace Section 8(a) of the Agreement:

Nature of Award. In accepting the Award, the Participant acknowledges, understands and agrees that:

- (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;
- (ii) the Award of RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded repeatedly in the past;
- (iii) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
- (iv) the Participant's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's employment relationship;
- (v) the Participant's participation in the Plan is voluntary;
- (vi) the Award of RSUs is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and which is outside the scope of the Participant's employment contract, if any;
- (vii) the Award of RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary;
- (viii) in the event that the Participant is not an employee of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company; and furthermore, the Award will not be interpreted to form an employment contract with the Employer or any Subsidiary;
- (ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of the Participant's Continuous Status as an Employee, Consultant or Director by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the Award of RSUs to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) in the event of termination of the Participant's Continuous Status as an Employee, Consultant or Director (whether or not in breach of local labor laws), the Participant's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Participant is no longer actively employed by or does no longer actively render services to the Company or any of its Subsidiaries and will not be extended by any notice period mandated under local law; the Administrator shall have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of this Award of RSUs.

CANADA

Settlement of RSUs. Notwithstanding any terms or conditions of the Plan or the Agreement to the contrary, RSUs will be settled in shares of Common Stock only, not cash.

Securities Law Information. You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the NASDAQ.

Termination of Employment. This provision replaces Section 4(a) of the Agreement:

In the event of your termination of employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you are no longer actively providing service or (2) the date you receive notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the RSUs.

The following provisions apply if you are resident in Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that this Agreement, including this Appendix, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention (« Agreement ») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Maternity and Paternity Leave. For the avoidance of doubt, Section 4(b) of the Agreement shall not apply to any maternity or paternity leave to which employees in Canada are entitled by law.

CHINA

Mandatory Sale Restriction

Due to regulatory requirements in China, the Company reserves the right to require the sale of any shares of the Company's Common Stock acquired under the Plan within 30 days following the termination of the Participant's employment or service with the Company (including its subsidiaries and affiliates). The Participant authorizes the Company, in its sole discretion, to instruct its designated broker to assist with the mandatory sale of shares of Common Stock issued upon vesting of RSUs following the Participant's termination of employment or service with the Company (including its subsidiaries and affiliates) and, in this regard, the Participant authorizes the Company's designated broker to complete the sale of such Common Stock on the Participant's behalf pursuant to this authorization upon receipt of the Company's instructions. The Participant acknowledges that neither the Company nor its designated broker is obligated to arrange for the sale of the Shares at any particular price and that, upon the sale of the Shares, the proceeds from the sale of the Shares, less any brokerage fees or commissions and subject to any obligation to satisfy any applicable taxes or other tax-related items, will be remitted to the Participant in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions

The Participant understands and agrees that, pursuant to local exchange control requirements, the Participant (i) is not permitted to transfer any Shares acquired under the Plan out of the account established by the Participant with the Company's designated broker, and (ii) will be required to repatriate all cash proceeds resulting from the Participant's participation in the Plan, including cash dividends paid by the Company on Shares acquired under the Plan and/or the sale of such Shares (together, the "cash proceeds"). The Participant further understands that, under local law, such repatriation may need to be effectuated through a special exchange control account established by the Company or one of its subsidiaries and the Participant hereby consents and agrees that all cash proceeds may be transferred to such special account prior to being delivered to the Participant and that any interest earned on the cash proceeds prior to distribution to the Participant will be retained by the Company to partially offset the cost of administering the Plan. The Participant understands that the cash proceeds may be paid to the Participant from this special account in U.S. dollars or in local currency, at the Company's discretion. If the cash proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to establish a U.S. dollar bank account in China so that the cash proceeds may be deposited into this account. If the cash proceeds are converted to local currency, the Participant acknowledges that the Company is under no obligation to secure any exchange conversion rate, and the Company may face delays in converting the cash proceeds to local currency due to exchange control restrictions in China. The Participant agrees to bear the risk of any exchange conversion rate fluctuation between the date the cash dividend is paid and/or the Shares are sold, as applicable, and the date of conversion of the cash proceeds to local currency. The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

FINLAND

No country-specific Agreement terms apply.

FRANCE

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, employment history and status, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third party is E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005, however the Company may retain additional or different third parties for any of the purposes mentioned. The Company may also make the Data available to public authorities where required under locally applicable law. These recipients may be located in the United States, the European Economic Area, or elsewhere, which the Participant separately and expressly consents to, accepting that outside the European Economic Area, data protection laws may not be as protective as within. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company through its local H.R. Director; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. Data will only be held as long as necessary to implement, administer and manage the Participant's participation in the Plan and any subsequent claims or rights.

French Language Provision. By accepting this Agreement, Participant confirms having read and understood the documents relating to the Plan which were provided to Participant in the English language. Participant accepts the terms of those documents accordingly.

French translation: *En acceptant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

Exchange Control Information. If you import or export cash (e.g., sales proceeds received under the Plan) with a value equal to or exceeding €10,000 and do not use a financial institution to do so, you must submit a report to the customs and excise authorities.

Tax Reporting. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when filing your annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Participant must acknowledge and accept the Agreement by signing a copy of the Agreement and returning the original signed document within 30 days after the date of the electronic mail notification of the Agreement. For the avoidance of doubt, this Agreement may be accepted electronically or please sign and return the Agreement to: Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

No Impact on Other Rights. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of RSUs or other awards under the Plan in the future.

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In the event that you make or receive a payment in excess of this amount, you are responsible for obtaining the appropriate form from the remitting bank and complying with applicable reporting requirements.

Consent to Personal Data Processing and Transfer.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), at the time being E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005. These recipients are located in the European Economic Area, but also outside and in so-called insecure third-party countries that do not guarantee the data privacy protection level of the European Economic Area, for example the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

HONG KONG

WARNING: The RSUs and Shares do not constitute a public offering of securities under Hong Kong law and are available only to Employees. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each Employee and may not be distributed to any other person. If the Employee

is in any doubt about any of the contents of the Agreement, including this Appendix or the Plan, the Employee should obtain independent professional advice.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Sale of Shares. To facilitate compliance with securities laws in Hong Kong, in the event the Employee's RSUs vest and Shares are issued to the Employee within six months of the Date of Grant, the Employee agrees that he or she will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, then the Employee's grant shall be void.

INDIA

Exchange Control Notification. The Participant understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the funds into local currency within 90 days of receipt. The Participant must obtain a foreign inward remittance certificate ("FIRC") from the bank where the Participant deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company requests proof of repatriation. **It is your responsibility to comply with applicable exchange control laws in India.**

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

IRELAND

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Exclusion from Termination Indemnities and Other Benefits. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, the Participant acknowledges, understands, and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

Director Notification. If the Participant is a director, shadow director or secretary of an Irish subsidiary of the Company, the Participant is subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is an obligation to notify the Irish affiliate in writing within five (5) business days when the Participant receives an interest (e.g., RSUs, Shares) in the Company and the number and class of shares or rights to which the interest relates. In addition, the Participant must notify the Irish subsidiary within five (5) business days when the Participant sells Shares acquired under the Plan. This notification requirement also applies to any rights or Shares acquired by the Participant's spouse or children (under the age of 18).

ISRAEL

Securities Law Notice. This RSU Award is granted pursuant to an exemption issued by the Israeli Securities Authority under Section 15D of the Securities Law of 1968. The grant of this RSU Award and the issuance of its underlying shares are registered with the U.S. Securities and Exchange Commission on Form S-8. The Company will make available to any interested Israeli offeree, at his or her workplace, the Form S-8 and all documents attached to the Form S-8, including any document directly or indirectly referred to in the Form S-8 or in its exhibits. To request any such documents, please contact stockadmin@cypress.com.

Sub-Plan and Tax-Based Restrictions. If on the Date of Grant, the Holder is an employee of the Company's subsidiary in Israel, Cypress Semiconductors Ltd., then this Award is granted under and subject to the terms of the Cypress Semiconductor Corporation 2013 Stock Plan Sub-Plan for Israeli Taxpayers (the "Israeli Sub-Plan") and the Participant acknowledges and agrees to the following: This Agreement is granted under and governed by the Plan, the Israeli Sub-Plan, Section 102(b)(2) of the Israeli Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith ("Section 102"), and the trust agreement (the "Trust Agreement") between the Company and the Trustee (as defined in the Israeli Sub-Plan).

- The proceeds of any shares of Common Stock issued upon vesting of the RSUs will be remitted by the Company or its designated broker to the Trustee to administer on Participant's behalf, pursuant to the terms of Section 102 and the Trust Agreement.
- Participant is familiar with the terms and provisions of Section 102, particularly the Capital Gains Track (as defined in the Israeli Sub-Plan) described in subsection (b)(2) thereof, and agrees that Participant will not release or sell (or require the Trustee to release or sell) the RSUs or underlying shares of Common Stock during the Restricted Holding Period (as defined in the Israeli Sub-Plan), unless permitted to do so by applicable law.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and the Participant's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan, including transfers outside of Israel and further transfers thereafter. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent

herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

ITALY

Data Privacy Notice and Consent

This provision replaces the "Data Privacy" section of the Agreement.

Participant hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this section of Appendix A by and among, as applicable, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder).

Participant understands that the Company and any Subsidiary may hold certain personal information about Participant, including but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of the RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of managing and administering the Plan ("Personal Data").

Participant also understands that providing the Company with Personal Data is necessary for the performance of the Plan and that Participant's denial to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect Participant's ability to participate in the Plan. The Controller of Personal Data processing is Cypress Semiconductor Corporation, with its principal offices at 198 Champion Court, San Jose, California 95134, United States of America, and, pursuant to Legislative Decree no. 196/2003, its representative is Cypress Semiconductor GmbH (a subsidiary of Cypress Semiconductor Corporation) - Willy-Brandt-Allee 4, 81829 Munich, Germany.

Participant understands that Personal Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan (and grants of awards made thereunder). Participant further understands that the Company and/or a Subsidiary will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan (and grants of awards made thereunder), and that the Company and/or a Subsidiary may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), including any requisite transfer of Personal Data to a broker or other third party with whom Participant may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan (and grants of awards made thereunder). Participant understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Participant understands that Personal Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area as specified herein and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan (and grants of awards made thereunder). Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Participant has the right to, including but not limited to, access, delete, update, correct or stop, for legitimate reason, the Personal Data processing. Furthermore, Participant is aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting Participant's human resources department.

Plan Document Acknowledgment. In accepting the RSU, the Participant acknowledges that a copy of the Plan was made available to the Participant and that the Participant has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan, the Agreement and this Appendix.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Vesting Schedule and Vesting Conditions and Nature of Award, as well as the following provision in the Plan: Restricted Stock/Restricted Stock Units.

Additional Tax/Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Common Stock to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including proceeds from the sale of Common Stock acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to taxable income in Italy; and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (a) above if the transfer or investment is made through an authorized broker resident in Italy.

JAPAN

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold the following personal information for the purpose of managing and administering the Plan ("Data"): the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor. From time to time, the Company may change the scope of its affiliates that hold, use or process Participant's personal information or the scope of Participant's personal information to be held,

used or processed by the Company, its affiliates and the Participant's employer, by providing, or making easily accessible, information about such change to the Participant. The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, Japan or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

KOREA

Exchange Control Information. Korean residents who realize US\$500,000 or more from the sale of shares of Common Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MALAYSIA

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information from the Participant's Participant records, including the Participant's name, home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder) and will disclose certain Data to the Inland Revenue Board and other relevant authorities as required by law. These recipients may be located in the United States, the European Economic Area, Malaysia or elsewhere. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Data will be retained by the Company, its affiliates and the Participant's employer for the entire duration of the Participant's employment or service and for a further seven years after cessation of employment or service. The holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting Zauyah Kechik (or other authorized individual), at Sdn. Bhd. (613545-T), Phase II, Free Industrial Zone, Bayan Lepas, 11900 Penang, Malaysia; site phone no: +60 4 888 2000.

Disclosure of Data is obligatory for the implementation, administration and management of the Plan (and grants of awards made thereunder); however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Director Notification. If the Participant is a director of a subsidiary or other related company in Malaysia, then the Participant is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related companies. In addition, the Participant must notify the Malaysian subsidiary when he or she sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company or any related company.

Securities Law Information. Malaysian insider-trading rules may impact the acquisition or disposal of Shares or rights to Shares under the Plan. Under such rules, the Participant is prohibited from acquiring Shares or rights to Shares (e.g., RSUs) or selling Shares when he or she possesses information that is not generally available and which the Participant knows or should know will have a material effect on the price of the Shares once such information is generally available. By accepting this grant, the Participant acknowledges that he or she is not in possession of any material, non-publicly disclosed information regarding the Company at the time of grant and will not acquire or sell Shares when in possession of any material, non-publicly disclosed information regarding the Company.

PHILIPPINES

Securities Law Information. The sale or disposal of Shares acquired under the Plan may be subject to certain restrictions under Philippines securities laws. Those restrictions should not apply if the offer and resale of Shares takes place outside of the Philippines through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the NASDAQ. The Company's designated broker should be able to assist the Participant in the sale of Shares on the NASDAQ. *If the Participant has questions with regard to the application of Philippines securities laws to the disposal or sale of Shares acquired under the Plan the Participant should consult with his or her legal advisor.*

SINGAPORE

Securities Law Information. The RSUs were granted to the Participant pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Agreement and the Plan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Participant should note that the Participant's RSUs are subject to section 257 of the SFA and the Participant will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of the Shares unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Participant is a director, associate director or shadow director of a subsidiary or other related company in Singapore, the Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore subsidiary in writing when the Participant receives an interest (e.g., RSUs, Shares) in the Company or any related company. In addition, the Participant must notify the Singapore subsidiary when the Participant sells Shares of the Company or any related company (including when the Participant sells Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the

Company or any related company. In addition, a notification must be made of the Participant's interests in the Company or any related company within two business days of becoming a director.

Insider Trading Notification. You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to shares of Common Stock under the Plan. Under the Singapore insider trading rules, you are prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (*e.g.*, RSUs under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Common Stock once such information is generally available.

SWEDEN

No country-specific Agreement terms apply.

TAIWAN

Exchange Control Information. You may remit foreign currency (including proceeds from the sale of Common Stock) into or out of Taiwan up to US\$5,000,000 per year without special permission. If the transaction amount is TWD500,000 or more in a single transaction, you must submit a *Foreign Exchange Transaction Form* to the remitting bank and provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

No country-specific Agreement terms apply.

THE NETHERLANDS

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information, including the Participant's name, home address and telephone number, date of birth, citizen service number (*burgerservicenummer*) (former social security number) or other Participant tax identification number (insofar as allowed), salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third parties are E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005., however the Company may retain additional or different third parties for any of the purposes mentioned. These recipients may be located in the United States, the European Economic Area, or elsewhere. Countries outside the European Economic Area do not provide for a similar level of data protection as within the European Economic Area pursuant to the European Data Protection Directive 95/46/EC. The Participant hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the

administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement. The holder understands that he or she may request a list of the names and addresses of the third party recipients of Data by contacting the Company through its local H.R. Representative at Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

UNITED KINGDOM

Eligible Individual. For the purpose of RSUs awarded in the UK, Consultants and Outside Directors are not eligible to receive awards.

Tax Withholding.

The following is added to the "Responsibility for Taxes" section of the Agreement.

The Participant will be liable for and agrees to indemnify and keep indemnified the Company, any subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, Participant's National Insurance contributions and employer's National Insurance Contributions) that is attributable to (i) the grant or vesting of, or any benefit derived by the Participant from, the RSUs, (ii) the acquisition by the Participant of the Common Stock on the settlement of the RSUs, or (iii) the disposal of any Common Stock.

The RSUs will not vest until the Participant has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting or settlement of the RSUs and/or the acquisition of the Common Stock by the Participant. The Company shall not be required to issue, allot or transfer Common Stock until the Participant has satisfied this obligation.

No Right to Continued Employment.

This provision supplements the "Nature of Award" section of the Agreement.

Neither the RSUs nor this Agreement:

- (i) confers upon the Participant any right to continue to be an Employee, Consultant or Director of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate the Participant's employment at any time; or
- (ii) forms part of the Participant's entitlement to remuneration and benefits in terms of his/her employment, or affects the Participant's terms and conditions of employment.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Participant's employer hold certain personal information (including sensitive personal information) such as the Participant's name,

home address and telephone number, date of birth, social security number or other Participant tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). By participating in the Plan, the Participant agrees that the Company, its affiliates and the Participant's employer may hold and process such Data, and may transfer Data to any third parties assisting the Company or its affiliates in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Participant hereby authorizes them to receive, possess, process, use, hold, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder) and in the course of the Company's business, including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Participant to a third party with whom the Participant may have elected to have payment made pursuant to the Plan. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Participant's ability to participate in the Plan and receive the benefits intended by this Agreement.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Joint Election. As a condition of the grant of RSUs, the Participant agrees to accept any liability for secondary Class 1 National Insurance contributions (the "Employer NICs") which may be payable by the Company or the Employer with respect to the vesting of the RSUs or otherwise payable with respect to a benefit derived in connection with the RSUs.

Without limitation to the foregoing, if requested by the Company, the Participant agrees to execute a joint election between the Company and/or the Employer and Participant (the "Joint Election"), the form of such Joint Election being formally approved by Her Majesty's Revenue & Customs ("HMRC"), and any other consent or election required to accomplish the transfer of the Employer NICs to the Participant. The Participant further agrees to execute such other joint elections as may be required between the Participant and any successor to the Company and/or the Employer. If the Participant does not enter into a Joint Election in response to a Company request, no Shares shall be issued to the Participant (and neither the Company nor the Employer shall have any liability with respect to such non-issuance of shares). The Participant further agrees that the Company and/or the Employer may collect the Employer NICs from the Participant by any means.

If the Participant has signed a Joint Election in the past with respect to an RSU award granted to him or her by the Company and that Joint Election applies to all grants made under the Plan, the Participant need not sign another Joint Election in connection with this RSU grant.

Responsibility for Taxes. This provision supplements the Agreement:

You agree that, if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe at vesting and settlement of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the

funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares of Common Stock issued upon vesting of your RSUs or from the cash proceeds from the sale of shares of Common Stock or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares of Common Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are such a director or executive officer and the income tax that is due is not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any Participant national insurance contributions due on this additional benefit.

SPANSION INC.
2010 EQUITY INCENTIVE AWARD PLAN
(As Amended and Restated Effective August 5, 2016)

ARTICLE 1.

PURPOSE

The Spansion Inc. 2010 Equity Incentive Award Plan (the “Plan”) was previously adopted by Spansion Inc. (“Spansion”). Effective as of March 12, 2015, Spansion was merged into a subsidiary of Cypress Semiconductor Corporation (“Cypress”) and, as a result of the merger, became a wholly-owned subsidiary of Cypress. Further, in connection with the merger, all awards then outstanding under the Plan were assumed by Cypress and shares of common stock of Cypress (“Cypress Common Stock”) were substituted for common stock of Spansion under such then outstanding awards.

Effective March 12, 2015, Cypress assumed the Plan to permit grants of Awards (as defined herein) under the Plan with respect to Cypress Common Stock. It is now desirable for Cypress to amend the Plan effective August 5, 2016. The following provisions constitute an amendment and restatement of the Plan effective as of August 5, 2016, the “Effective Date” of the Plan as set forth herein. The provisions of the Plan as amended and restated shall apply only to Awards made under the Plan after the Effective Date. The purpose of the Plan shall be to promote the success and enhance the value of Cypress and its affiliates by linking the personal interests of Employees and Consultants (as defined in Article 2) to those of Cypress’s stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Cypress’s stockholders. The Plan is further intended to provide flexibility to Cypress in its ability to motivate, attract, and retain the services of Employees and Consultants upon whose judgment, interest, and special effort the successful conduct of Cypress’s operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 “Administrator” shall mean the entity that conducts the general administration of the Plan as provided in Article 12. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 12.6, or as to which the Board has assumed, the term “Administrator” shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 “Award” shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, a Performance Award, a Dividend Equivalents award, a Deferred Stock award, a Stock Payment award or a Stock Appreciation Right, which may be awarded or granted under the Plan (collectively, “Awards”).

2.3 “Award Agreement” shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.4 “Board” shall mean the Board of Directors of Cypress.

2.5 “Change in Control” shall mean and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than Cypress, any of its parents or subsidiaries, an employee benefit plan maintained by Cypress or any of its subsidiaries or a “person” that, prior to such transaction, directly or

indirectly controls, is controlled by, or is under common control with, Cypress) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of Cypress possessing more than 50% of the total combined voting power of Cypress's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with Cypress to effect a transaction described in Section 2.5(a) or Section 2.5(c)) whose election by the Board or nomination for election by Cypress's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by Cypress (whether directly involving Cypress or indirectly involving Cypress through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Cypress's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in Cypress's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Cypress or the person that, as a result of the transaction, controls, directly or indirectly, Cypress or owns, directly or indirectly, all or substantially all of Cypress's assets or otherwise succeeds to the business of Cypress (Cypress or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.5(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Cypress prior to the consummation of the transaction; or

(d) Cypress's stockholders approve a liquidation or dissolution of Cypress.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A. The Committee shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.6 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.7 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 12.1.

2.8 "Common Stock" shall mean the common stock of Cypress.

2.9 "Consultant" shall mean any consultant or adviser (i) engaged to provide services to Spansion or any subsidiary of Spansion or (ii) engaged to provide services to Cypress or any Subsidiary on or after March 12, 2015, that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.10 "Cypress" shall mean Cypress Semiconductor Corporation, a Delaware corporation.

2.11 "Deferred Stock" shall mean a right to receive Common Stock awarded under Section 8.4.

2.12 "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends paid on Common Stock, awarded under Section 8.2.

2.13 "DRO" shall mean a domestic relations order as defined by the Code or Title I of the Employee

Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.14 “Effective Date” shall mean August 5, 2016.

2.15 “Eligible Individual” shall mean any person who is an Employee or a Consultant, as determined by the Committee.

2.16 “Employee” shall mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of Spansion or of any subsidiary of Spansion. Employee shall also mean any officer or other employee (as determined in accordance with Section 3401(c) of the Code and the Treasury Regulations thereunder) of Cypress or of any Subsidiary so long as such person was hired by Cypress or such Subsidiary after March 12, 2015.

2.17 “Equity Restructuring” shall mean a nonreciprocal transaction between Cypress and its stockholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of shares of Common Stock (or other securities of Cypress) or the share price of Common Stock (or other securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

2.18 “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.19 “Fair Market Value” shall mean, as of any given date, the value of a share of Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market) or national market system, its Fair Market Value shall be the closing sales price for a share of Common Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Common Stock on the date in question, the closing sales price for a share of Common Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Common Stock is not listed on an established stock exchange or national market system, but the Common Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Common Stock on such date, the high bid and low asked prices for a share of Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Common Stock is neither listed on an established stock exchange or a national market system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith.

2.20 “Full Value Award” shall mean any Award for which the Holder pays less than Fair Market Value as of the date of grant of such Award for the shares of Common Stock underlying such Award.

2.21 “Holder” shall mean a person who has been granted an Award.

2.22 “Nonstatutory Stock Option” shall mean an Option that is not intended to qualify as an incentive stock option and does not conform to the applicable provisions of Section 422 of the Code.

2.23 “Option” shall mean a right to purchase shares of Common Stock at a specified exercise price, granted under Article 5. Any Options granted shall be Nonstatutory Stock Options.

2.24 “Performance Award” shall mean a cash bonus award, stock bonus award, performance award or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Section 8.1.

2.25 “Performance Criteria” shall mean the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization), (ii) gross or net sales or revenue, (iii) net income (either before or after taxes), (iv) operating earnings or profit, (v) cash flow (including, but not limited to, operating cash flow and free cash flow), (vi) return on assets, (vii) return on capital, (viii) return on stockholders' equity, (ix) return on sales, (x) gross or net profit or operating margin, (xi) costs, (xii) funds from operations, (xiii) expenses, (xiv) working capital, (xv) earnings per share, (xvi) price per share of Common Stock, (xvii) regulatory body approval for commercialization of a product, (xviii) implementation or completion of critical projects and (xix) market share, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

(b) The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by Cypress during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under United States generally accepted accounting principles ("GAAP"); (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; or (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of Cypress's core, on-going business activities; or (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

2.26 "Performance Goals" shall mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria or other performance metrics determined by the Committee. Depending on the Performance Criteria or other performance metrics used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual.

2.27 "Performance Period" shall mean one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Holder's right to, and the payment of, a Performance Award.

2.28 "Plan" shall mean this Spansion Inc. 2010 Equity Incentive Award Plan, as it may be amended or restated from time to time.

2.29 "Restricted Stock" shall mean Common Stock awarded under Article 7 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.30 "Restricted Stock Units" shall mean the right to receive Common Stock awarded under Section 8.5.

2.31 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.32 "Stock Appreciation Right" shall mean a stock appreciation right granted under Article 9.

2.33 "Stock Payment" shall mean (a) a payment in the form of shares of Common Stock, or (b) an option or other right to purchase shares of Common Stock, as part of a bonus, deferred compensation or other arrangement, awarded under Section 8.3.

2.34 "Subsidiary" means any entity (other than Cypress), whether domestic or foreign, in an unbroken chain of entities beginning with Cypress if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.35 "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a

corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.36 “Termination of Service” shall mean:

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to Spansion, Cypress or any of their affiliates is terminated for any reason, with or without cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with Cypress or any of its affiliates.

(b) As to an Employee, the time when the employee-employer relationship between a Holder and Spansion, Cypress or any of their affiliates is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Holder simultaneously commences or remains in employment or service with Cypress or any of its affiliates.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to a Termination of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for cause and all questions of whether particular leaves of absence constitute a Termination of Service. For purposes of the Plan, a Holder’s employee-employer relationship or consultancy engagement shall be deemed to be terminated in the event that Cypress or the Subsidiary employing or contracting with such Holder ceases to remain a Subsidiary of Cypress following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off).

ARTICLE 3.

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 12.2 and Section 3.1(b) the aggregate number of shares of Common Stock which may be issued or transferred pursuant to Awards under the Plan is (i) 22,002,556 (provided, that subject to Section 12.2 and, with respect to Full Value Awards that terminate, expire or lapse or for which shares of Common Stock are tendered or withheld, the aggregate number of shares of Common stock which may be issued or transferred pursuant to Full Value Awards under this Section 3.1(a)(i) is 61,299). Notwithstanding the foregoing, no more than 1,222,598 shares of Common Stock may be issued upon the exercise of Incentive Stock Options.

(b) To the extent that an Award terminates, expires, or lapses for any reason, or an Award is settled in cash without the delivery of shares to the Holder, then any shares of Common Stock subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Any shares of Common Stock tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any Award shall again be available for the grant of an Award pursuant to the Plan. Any shares of Common Stock repurchased by Cypress prior to vesting so that such shares are returned to Cypress will again be available for Awards. To the extent permitted by applicable law or any exchange rule, shares of Common Stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by Cypress or any of its affiliates shall not be counted against shares of Common Stock available for grant pursuant to the Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan.

3.2 Stock Distributed. Any Common Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Common Stock, treasury Common Stock or Common Stock purchased on the open market.

ARTICLE 4.

GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be

inconsistent with the requirements of the Plan. No Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement.

4.3 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

4.4 At-Will Employment. Nothing in the Plan or in any Award Agreement hereunder shall confer upon any Holder any right to continue in the employ of, or as a director or consultant for, Cypress, Spansion or any of their respective affiliates, or shall interfere with or restrict in any way the rights of Cypress, Spansion or any of their affiliates, which rights are hereby expressly reserved, to discharge any Holder at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Holder and Cypress, Spansion or any Subsidiary.

4.5 Foreign Holders. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which Cypress, and the Subsidiaries operate or have Employees or Consultants, or in order to comply with the requirements of any foreign stock exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign stock exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign stock exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Securities Act or any other securities law or governing statute or any other applicable law.

4.6 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE 5.

GRANTING OF OPTIONS

5.1 Granting of Options to Eligible Individuals. The Administrator is authorized to grant Options to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine which shall not be inconsistent with the Plan.

5.2 Option Exercise Price. The exercise price per share of Common Stock subject to each Option shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted, unless otherwise determined by the Administrator.

5.3 Option Term. The term of each Option shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than seven (7) years from the date the Option is granted. The Administrator shall determine the time period, including the time period following a Termination of Service, during which the Holder has the right to exercise the vested Options, which time period may not extend beyond the term of the Option term.

Except as limited by the requirements of Section 409A of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

5.4 Option Vesting.

(a) The Administrator shall determine the period during which a Holder shall vest in an Option and have the right to exercise such Option in whole or in part. Such vesting may be based on service with Cypress, Spansion or any Subsidiary, any of the Performance Criteria, or any other criteria selected by the Administrator. At any time after grant of an Option, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(b) No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Option.

5.5 Substitute Awards. Notwithstanding the foregoing provisions of this Article 5 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by Cypress, over (y) the aggregate exercise price of such shares.

5.6 Substitution of Stock Appreciation Rights. The Administrator may provide in the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided, that such Stock Appreciation Right shall be exercisable with respect to the same number of shares of Common Stock for which such substituted Option would have been exercisable.

ARTICLE 6.

EXERCISE OF OPTIONS

6.1 Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

6.2 Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of Cypress, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full payment of the exercise price and applicable withholding taxes to the Secretary of Cypress for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 10.1 and 10.2.

ARTICLE 7.

AWARD OF RESTRICTED STOCK

7.1 Award of Restricted Stock.

(a) The Administrator is authorized to grant Restricted Stock to Eligible Individuals, and shall determine the terms and conditions, including the restrictions applicable to each award of Restricted Stock, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

7.2 Rights as Stockholders. Subject to Section 7.4, upon issuance of Restricted Stock, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a stockholder with respect to said shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that, in the sole discretion of the Administrator, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 7.3.

7.3 Restrictions. All shares of Restricted Stock (including any shares received by Holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment or consultancy with Cypress, the Performance Criteria or other performance metrics, Company performance, individual performance or other criteria selected by the Administrator. By action taken after the Restricted Stock is issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Stock by removing any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

7.4 Repurchase or Forfeiture of Restricted Stock. If no price was paid by the Holder for the Restricted Stock, upon a Termination of Service the Holder's rights in unvested Restricted Stock then subject to restrictions shall lapse, and such Restricted Stock shall be surrendered to Cypress and cancelled without consideration. The Administrator in its sole discretion may provide that in the event of certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service or any other event, the Holder's rights in unvested Restricted Stock shall not lapse and such Restricted Stock shall vest.

7.5 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and Cypress may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.

7.6 Section 83(b) Election. If a Holder makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Holder would otherwise be taxable under Section 83(a) of the Code, the Holder shall be required to deliver a

copy of such election to Cypress promptly after filing such election with the Internal Revenue Service.

ARTICLE 8.

AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS, RESTRICTED STOCK UNITS

8.1 Performance Awards.

(a) The Administrator is authorized to grant Performance Awards to any Eligible Individual. The value of Performance Awards may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Eligible Individual. Performance Awards may be paid in cash, shares of Common Stock, or both, as determined by the Administrator.

(b) Without limiting Section 8.1(a), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator.

8.2 Dividend Equivalents.

(a) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Common Stock, to be credited as of dividend payment dates during the period between the date an Award is granted to a Holder and the date such Award vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator.

(b) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights, unless otherwise determined by the Administrator.

8.3 Stock Payments. The Administrator is authorized to make Stock Payments to any Eligible Individual. The number or value of shares of any Stock Payment shall be determined by the Administrator and may be based upon one or more Performance Criteria or any other specific criteria, including service to Cypress, Spansion or any Subsidiary, determined by the Administrator. Stock Payments may, but are not required to be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to such Eligible Individual.

8.4 Deferred Stock. The Administrator is authorized to grant Deferred Stock to any Eligible Individual. The number of shares of Deferred Stock shall be determined by the Administrator and may be based on one or more Performance Criteria or other specific criteria, including service to Cypress, Spansion or any Subsidiary, as the Administrator determines, in each case on a specified date or dates or over any period or periods determined by the Administrator. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or other conditions or criteria set by the Administrator. Unless otherwise provided by the Administrator, a Holder of Deferred Stock shall have no rights as a Cypress stockholder with respect to such Deferred Stock until such time as the Award has vested and the Common Stock underlying the Award has been issued to the Holder.

8.5 Restricted Stock Units. The Administrator is authorized to grant Restricted Stock Units to any Eligible Individual. The number and terms and conditions of Restricted Stock Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including conditions based on one or more Performance Criteria or other specific criteria, including service to Cypress, Spansion or any Subsidiary, in each case on a specified date or dates or over any period or periods, as the Administrator determines. The Administrator shall specify, or permit the Holder to elect, the conditions and dates upon which the shares of Common Stock underlying the

Restricted Stock Units which shall be issued. On the distribution dates, Cypress shall issue to the Holder one unrestricted, fully transferable share of Common Stock for each vested and nonforfeitable Restricted Stock Unit unless shares are withheld pursuant to Section 10.2.

8.6 Term. The term of a Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award shall be set by the Administrator in its sole discretion.

8.7 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, shares distributed as a Stock Payment award or shares distributed pursuant to a Restricted Stock Unit award; provided, however, that value of the consideration shall not be less than the par value of a share of Common Stock, unless otherwise permitted by applicable law.

8.8 Exercise upon Termination of Service. A Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award is exercisable or distributable only while the Holder is an Employee or Consultant, as applicable. The Administrator, however, in its sole discretion may provide that the Performance Award, Dividend Equivalent award, Deferred Stock award, Stock Payment award and/or Restricted Stock Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, including a Change in Control, the Holder's death, retirement or disability or any other specified Termination of Service.

ARTICLE 9.

AWARD OF STOCK APPRECIATION RIGHTS

9.1 Grant of Stock Appreciation Rights.

(a) The Administrator is authorized to grant Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine consistent with the Plan.

(b) A Stock Appreciation Right shall entitle the Holder (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from Cypress an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the Stock Appreciation Right from the per share Fair Market Value on the date of exercise of the Stock Appreciation Right by the number of shares of Common Stock with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose. Except as described in (c) below, the exercise price per share of Common Stock subject to each Stock Appreciation Right shall be set by the Administrator, but shall not be less than 100% of the Fair Market Value on the date the Stock Appreciation Right is granted, unless determined otherwise by the Administrator.

(c) Notwithstanding the foregoing provisions of Section 9.1(b) to the contrary, in the case of an Stock Appreciation Right that is a Substitute Award, the price per share of the shares subject to such Stock Appreciation Right may be less than the Fair Market Value per share on the date of grant, provided, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by Cypress, over (y) the aggregate exercise price of such shares.

9.2 Stock Appreciation Right Term. The term of each Stock Appreciation Right shall be set by the Administrator in its sole discretion; provided, however, that the term shall not be more than seven (7) years from the date the Stock Appreciation Right is granted.

9.3 Stock Appreciation Right Vesting.

(a) The Administrator shall determine the period during which a Holder shall vest in a Stock Appreciation Right and have the right to exercise such Stock Appreciation Right in whole or in part. Such vesting may be based on service with Cypress, Spansion or any Subsidiary, or any other criteria selected by the Administrator. At any time after grant of a Stock Appreciation Right, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which a Stock Appreciation Right vests.

(b) No portion of a Stock Appreciation Right which is unexercisable at Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Stock Appreciation Right.

9.4 Manner of Exercise. All or a portion of an exercisable Stock Appreciation Right shall be deemed exercised upon delivery of all of the following to the Secretary of Cypress, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(a) A written notice complying with the applicable rules established by the Administrator stating that the Stock Appreciation Right, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Stock Appreciation Right or such portion of the Stock Appreciation Right;

(b) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance; and

(c) If the Stock Appreciation Right shall be exercised pursuant to this Section 9.4 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Stock Appreciation Right.

9.5 Payment. Payment of the amount determined under Section 9.1(b) above shall be in cash, shares of Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised), or a combination of both, as determined by the Administrator.

ARTICLE 10.

ADDITIONAL TERMS OF AWARDS

10.1 Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) shares of Common Stock (including, in the case of payment of the exercise price of an Award, shares of Common Stock issuable pursuant to the exercise of the Award) or shares of Common Stock held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a notice that the Holder has placed a market sell order with a broker with respect to shares of Common Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to Cypress in satisfaction of the aggregate payments required, provided, that payment of such proceeds is then made to Cypress upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which shares of Common Stock shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder who is an “executive officer” of Cypress within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from Cypress or a loan arranged by Cypress in violation of Section 13(k) of the Exchange Act.

10.2 Tax Withholding. Cypress, Spansion or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Holder to remit to Cypress, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder’s FICA or employment tax obligation) required by law to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement withhold, or allow a Holder to elect to have Cypress withhold, shares of Common Stock otherwise issuable under an Award (or allow the surrender of shares of Common Stock). Unless determined otherwise by the Administrator, the number of shares of Common Stock which may be so withheld or surrendered shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase no greater than the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator

shall determine the fair market value of the Common Stock, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares to pay the Option or Stock Appreciation Right exercise price or any tax withholding obligation.

10.3 Transferability of Awards.

(a) Except as otherwise provided in Section 10.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to a DRO; after the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 10.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award to any one or more Permitted Transferees (as defined below), subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); and (iii) the Holder and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer. For purposes of this Section 10.3(b), "Permitted Transferee" shall mean, with respect to a Holder, any "family member" of the Holder, as defined under the instructions to use of the Form S-8 Registration Statement under the Securities Act, or any other transferee specifically approved by the Administrator after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Awards.

(c) Notwithstanding Section 10.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Holder, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married or a domestic partner in a domestic partnership qualified under applicable law and resides in a community property state, a designation of a person other than the Holder's spouse or domestic partner, as applicable, as his or her beneficiary with respect to more than 50% of the Holder's interest in the Award shall not be effective without the prior written consent of the Holder's spouse or domestic partner. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

10.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, Cypress shall not be required to issue or deliver any certificates or make any book entries evidencing shares of Common Stock pursuant to the exercise of any Award, unless and until

the Board has determined, with advice of counsel, that the issuance of such shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Common Stock are listed or traded, and the shares of Common Stock are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board may require that a Holder make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Common Stock certificates delivered pursuant to the Plan and all shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Common Stock is listed, quoted, or traded. The Administrator may place legends on any Common Stock certificate or book entry to reference restrictions applicable to the Common Stock.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional shares of Common Stock shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, Cypress shall not deliver to any Holder certificates evidencing shares of Common Stock issued in connection with any Award and instead such shares of Common Stock shall be recorded in the books of Cypress (or, as applicable, its transfer agent or stock plan administrator).

10.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Awards made under the Plan, or to require a Holder to agree by separate written instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Common Stock underlying the Award, must be paid to Cypress, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with Cypress, or which is inimical, contrary or harmful to the interests of Cypress, as further defined by the Administrator or (iii) the Holder incurs a Termination of Service for “cause” (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between Cypress and the Holder).

10.6 Repricing. Subject to Section 12.2, the Administrator shall not have the authority, without the approval of the stockholders of Cypress, to amend any outstanding award, in whole or in part, to reduce the price per share or to cancel and replace an Award, in whole or in part, with the grant of an Award having a price per share that is less than the price per share of the original Award.

ARTICLE 11.

ADMINISTRATION

11.1 Administrator. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and shall consist of at least two or more directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a “non-employee director” as defined by Rule 16b-3 of the Exchange Act or any successor rule, and an “independent director” under the rules of the principal securities market, if any, on which shares of Common Stock are traded; provided, that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the

requirements for membership set forth in this Section 11.1 or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, the Board or Committee may delegate its authority hereunder to the extent permitted by Section 11.6.

11.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Award Agreement provided that the rights or obligations of the holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 12.9. Any such grant or award under the Plan need not be the same with respect to each holder. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

11.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of Cypress or any of its affiliates, Cypress's independent certified public accountants, or any executive compensation consultant or other professional retained by Cypress to assist in the administration of the Plan.

11.4 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

- (a) Designate Eligible Individuals to receive Awards;
- (b) Determine the type or types of Awards to be granted to each Holder;
- (c) Determine the number of Awards to be granted and the number of shares of Common Stock to which an Award will relate;
- (d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;
- (e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Common Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;
- (g) Decide all other matters that must be determined in connection with an Award;
- (h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and
- (j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

11.6 Delegation of Authority. To the extent permitted by applicable law, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more executive officers of Cypress the authority to grant or amend Awards; provided, however, that in no event shall an executive officer be delegated the authority to grant awards to, or amend awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act or (b) executive officers of Cypress (or directors) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.6 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE 12.

MISCELLANEOUS PROVISIONS

12.1 Amendment, Suspension or Termination of the Plan. Except as otherwise provided in this Section 12.1, the Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board. Except as provided in Section 12.9, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides. No Awards may be granted or awarded during any period of suspension or after termination of the Plan, and in no event may any Award be granted under the Plan after the tenth (10th) anniversary of the original effective date of the Plan.

12.2 Changes in Common Stock or Assets of Cypress, Acquisition or Liquidation of Cypress and Other Corporate Events.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Cypress assets to stockholders, or any other change affecting the shares of Cypress's stock or the share price of Cypress's stock other than an Equity Restructuring, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan); (ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan.

(b) In the event of any transaction or event described in Section 12.2(a) or any unusual or nonrecurring transactions or events affecting Cypress, any affiliate of Cypress, or the financial statements of Cypress or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Holder's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles.

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Holder's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 12.2 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by Cypress without payment) or (B) the replacement of such Award with other rights or

property selected by the Administrator in its sole discretion having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of Cypress's stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 12.2(a) and 12.2(b):

(i) The number and type of securities subject to each outstanding Award and/or the exercise price or grant price thereof, if applicable, shall be equitably adjusted. The adjustments provided under this Section 12.2(c) shall be nondiscretionary and shall be final and binding on the affected Holder and Cypress.

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 on the maximum number and kind of shares which may be issued under the Plan).

(d) Notwithstanding any other provision of the Plan but subject to Section 12.2(e), in the event of a Change in Control, each outstanding Award shall be assumed or an equivalent Award substituted by the successor corporation or a parent or subsidiary of the successor corporation or shall terminate upon such Change in Control.

(e) In the event that the successor corporation in a Change in Control refuses to assume or substitute for the Award, the Administrator may, in its sole discretion, cause any or all of such Awards to become fully exercisable immediately prior to the consummation of such transaction and all forfeiture restrictions on any or all of such Awards to lapse. If an Award is exercisable in lieu of assumption or substitution in the event of a Change in Control, the Administrator shall notify the Holder that the Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, contingent upon the occurrence of the Change in Control, and the Award shall terminate upon the expiration of such period.

(f) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of Cypress that are not inconsistent with the provisions of the Plan.

(g) No adjustment or action described in this Section 12.2 shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(h) The existence of the Plan, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of Cypress or the stockholders of Cypress to make or authorize any adjustment, recapitalization, reorganization or other change in Cypress's capital structure or its business, any merger or consolidation of Cypress, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(i) No action shall be taken under this Section 12.2 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.

(j) In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Cypress assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock including any Equity Restructuring, for reasons of administrative convenience, Cypress in its sole discretion may refuse to permit the exercise of any Award during a period of up to thirty (30) days prior to the consummation of any such transaction.

12.3 No Stockholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a stockholder with respect to shares of Common Stock covered by any Award until the Holder becomes the record owner of such shares of Common Stock.

12.4 Paperless Administration. In the event that Cypress establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

12.5 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for Cypress, Spansion or any Subsidiary. Nothing in the Plan shall be construed to limit the right of Cypress, Spansion or any Subsidiary: (a) to establish any other forms of incentives or compensation for Employees or Consultants of Cypress, Spansion or any Subsidiary, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

12.6 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of shares of Common Stock and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state, federal and foreign securities law and margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for Cypress, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by Cypress, provide such assurances and representations to Cypress as Cypress may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

12.7 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

12.8 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

12.9 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan 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 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. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the

Administrator may 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, 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 Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

12.10 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither Cypress nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

12.11 Unfunded Status of Awards. The Plan is intended to be an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Holder any rights that are greater than those of a general creditor of Cypress, Spansion or any Subsidiary.

12.12 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by Cypress from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives Cypress an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to Cypress’s Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that Cypress may have to indemnify them or hold them harmless.

12.13 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of Cypress, Spansion or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

12.14 Expenses. The expenses of administering the Plan shall be borne by Cypress, Spansion and the Subsidiaries.

NOTICE OF GRANT OF RESTRICTED STOCK UNITS

Congratulations! You have been granted an Award of Restricted Stock Units ("RSUs") by Cypress Semiconductor Corporation under the Spansion Inc. 2010 Equity Incentive Award Plan, as amended, and any applicable sub-plan thereto for your country (collectively, the "Plan"), as follows:

PARTICIPANT NAME: [name]

PARTICIPANT ID: [ID#]

NUMBER OF RSUs GRANTED: [number]

Each RSU is equivalent to one share of Common Stock of Cypress Semiconductor Corporation (the "Company") for purposes of determining the number of Shares subject to this Award. The RSUs are subject to forfeiture prior to vesting. None of the RSUs will vest (nor will you have the rights of a stockholder with respect to the underlying shares) until you satisfy the vesting conditions described below and in the Restricted Stock Unit Agreement accompanying this notice (the "RSU Agreement"). The number of unvested RSUs and underlying shares is subject to adjustment under Section 12.2 of the Plan (such as in connection with a stock split or spin-off). Unless otherwise defined in this Notice of Grant of Restricted Stock Units (this "Notice of Grant"), capitalized words that are defined in the Plan or the RSU Agreement have the meanings given to them in the Plan or RSU Agreement, as applicable. Additional terms of this grant are as follows:

GRANT NUMBER: [number]

GRANT DATE: [date]

VESTING BASE DATE: [date]

VESTING SCHEDULE:

RSUs Scheduled to Vest

Vesting Date

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

You acknowledge and agree that this Notice of Grant (including the vesting schedule above) does not constitute an express or implied promise of continued engagement as an Employee or Consultant for the vesting period, for any period, or at all.

You will not receive any Shares upon vesting unless and until satisfactory arrangements (as determined by the Administrator) have been made with respect to the collection of all Tax-Related Items that the Company or your Employer determines must be withheld with respect to such Shares to be delivered upon the vesting of the RSUs. Currently, you can view the tax withholding collection method(s) that the Administrator has made available to you, including the default collection method (and if applicable you may be able to select an alternate method) by accessing your Plan account at www.ETRADE.com.

The Company's online acceptance procedure requires that you open each of the linked documents in order to proceed to acceptance.

Please confirm your acceptance of this Award by clicking the "Accept" (or similar wording) button on the award acceptance screen of your Plan account at www.ETRADE.com. If you wish to *reject* this award, you must so notify the Company's Stock Plan Administrator in writing to stockadmin@cypress.com no later than sixty (60) days after the grant date shown above. If within such sixty (60) day period you neither affirmatively accept nor affirmatively reject this Award, you will be deemed to have accepted this Award at the end of such sixty (60) day period pursuant to the terms and conditions set forth in this Notice of Grant, the RSU Agreement, and the Plan.

By your acceptance of this Award:

- you acknowledge receiving and reviewing this Notice of Grant, the RSU Agreement, the Plan, and the Company's related Prospectus;

- you agree that the RSUs are granted under and governed by the terms and conditions of, and you agree to be bound by the terms of, this Notice of Grant, the RSU Agreement, and the Plan;
- you agree to accept as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions relating to the Plan and this Award; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the RSU Agreement for the purpose of implementing, administering and managing your participation in the Plan.**

This Notice of Grant shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and upon acceptance shall be deemed to have been executed and delivered by the parties hereto as of the grant date shown above.

**CYPRESS SEMICONDUCTOR CORPORATION
SPANSION INC. 2010 EQUITY INCENTIVE AWARD PLAN**

RESTRICTED STOCK UNIT AGREEMENT

1. Grant. Cypress Semiconductor Corporation (the "Company") hereby grants to the participant (the "Holder") named in the Notice of Grant of Restricted Stock Units (the "Notice of Grant") an Award of Restricted Stock Units ("RSUs"), as set forth in the Notice of Grant and subject to the terms and conditions in this Restricted Stock Unit Agreement ("Agreement"), in the Company's Spansion Inc. 2010 Equity Incentive Award Plan, as amended, and in any applicable sub-plan for the Holder's country (such plan and any such sub-plan, collectively, the "Plan"). A sub-plan is applicable to this Award if, but only if, the country-specific terms for the Participant's country as set forth in Appendix A state that this Award is granted under or subject to such sub-plan. Unless otherwise defined herein, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

2. Company's Obligation. Each RSU represents the right of the Holder to receive one share of Cypress Common Stock (as adjusted in accordance with Section 12.2 of the Plan, a "Share") on the date on which all applicable vesting conditions established by the Notice of Grant, this Agreement, and the Plan have been satisfied (the "Vesting Date"). Unless and until RSUs vest, the Holder will have no right to receive Shares (or any other payment) in connection with such RSUs. Prior to actual distribution of Shares in settlement of any vested RSUs, such RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule and Vesting Conditions. Subject to Section 4 below, the RSUs awarded by this Agreement shall vest and become non-forfeitable in accordance with the vesting schedule specified in the Notice of Grant (the "Vesting Schedule"). With respect to each scheduled Vesting Date, the Holder's continuous service as an Employee or Consultant from the grant date specified in the Notice of Grant (the "Date of Grant") until such Vesting Date is a condition to the vesting of the RSUs scheduled to vest on such date. Employment or service for only a portion of such vesting period, even if a substantial portion, will not entitle the Holder to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or in the Plan.

4. Forfeiture upon Termination of Service; Leaves of Absence.

(a) Forfeiture upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, upon the Holder's Termination of Service for any or no reason after the Date of Grant but prior to a Vesting Date, any unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and, if applicable, at no cost to the Company affiliate that actually employs or otherwise engages the Holder (the "Employer"). Neither the Holder nor any of the Holder's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement or the Plan.

(b) Unpaid Leaves of Absence. Unless otherwise provided by the Administrator (such as in a leave of absence vesting policy or otherwise) and subject to compliance with all applicable laws, in the event the Holder takes an approved but unpaid leave of absence ("LOA") from the Company or the Employer (as applicable), each Vesting Date that has not occurred as of the commencement of such LOA shall be tolled for the number of calendar days that the Holder is on such LOA. (For example, if the next scheduled Vesting Date is July 1 and prior to that date the Grantee takes a LOA spanning 20 calendar days, that Vesting Date shall (unless otherwise provided by the Administrator) be tolled for 20 days and shall become July 21 and all future Vesting Dates shall be similarly rescheduled).

5. Settlement in Shares after Vesting. Subject to Section 17 (regarding tax matters), any RSUs that vest in accordance with this Agreement will be settled by delivery of Shares to the Holder (or in the event of the Holder's death, to his or her estate) as soon as practicable after (and in no case more than seventy-four days after) the date such RSUs become non-forfeitable.
6. Payments after Death. Any distribution or delivery to be made to the Holder under this Agreement will, if the Holder is then deceased, be made to the administrator or executor of the Holder's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.
7. Rights as Stockholder. Neither the Holder nor any person claiming under or through the Holder will have any of the rights or privileges of a stockholder of the Company (including, without limitation, voting and dividend rights) in respect of any Shares deliverable hereunder unless and until certificates (or book-entry positions) representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Holder or the Holder's broker.
8. No Effect on Employment or Status. If the Holder is employed in the United States, (1) the Holder's employment or other service relationship with the Company or the Employer is on an at-will basis only and accordingly, the terms of the Holder's employment or other service relationship with the Company or the Employer will be determined from time to time by the Company or the Employer, and the Company or the Employer will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or other service relationship of the Holder at any time for any reason whatsoever, with or without good cause or notice; and (2) the Holder understands and agrees that the vesting of the RSUs subject to this Award pursuant to Section 3 above is subject to the Holder's continuing in the employ or service of the Company or the Employer through each applicable Vesting Date.
9. Address for Notices. (a) Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 198 Champion Court, San Jose, California 95134-1599, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing or electronically. (b) Any notice to be given to the Holder under the terms of this Agreement will be addressed to the Holder's address appearing on the books of the Company or to the Holder's residence or to such other address as may be designated in writing by the Holder. Notices may also be delivered to the Holder, during his or her employment, through the Company's inter-office or electronic mail systems.
10. Grant is Not Transferable. Except to the limited extent provided in Section 6 of this Agreement, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.
11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.
12. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state, federal, or foreign law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Holder (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. state or federal law or securities exchange and to obtain any such consent or approval of any domestic governmental authority.
13. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. The Holder has been provided a copy of the Plan and has had an opportunity to review the Plan and shall be bound by all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.
14. Administrator Authority. The Administrator will have the power to interpret the Plan, this Agreement, and the Notice of Grant and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Holder, the Company, and all other interested persons. No member of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

15. Additional Terms for Holders Providing Services Outside the United States. To the extent the Holder provides (or provided, subsequent to the vesting base date set forth in the Notice of Grant) services to the Company or the Employer in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as are set forth for such country in Appendix A attached hereto.

16. Data Privacy. *The Holder hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Holder's personal data as described in this Agreement by and among, as applicable, the Employer and the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan.*

The Holder understands that the Company and the Employer may hold certain personal information about the Holder, including, but not limited to, the Holder's name, home address and telephone number, date of birth, social insurance number, passport number, or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Holder's favor, for the purpose of implementing, administering and managing the Plan ("Data").

The Holder understands that Data may be transferred to such stock plan service provider (or providers) as may be selected by the Company which is (or are) assisting in the implementation, administration and management of the Plan and awards granted thereunder. The Holder understands that these recipients of Data may be located in the United States, or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Holder's country. The Holder understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Holder's local human resources representative. The Holder hereby authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan and awards granted thereunder to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Holder's participation in the Plan.

The Holder understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Holder understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Holder's local human resources representative. The Holder understands, however, that refusing or withdrawing his or her consent may affect the Holder's ability to participate in the Plan and the Holder's continued eligibility for this Award or eligibility to be granted any other awards under the Plan. For more information on the consequences of the Holder's refusal to consent or withdrawal of consent, the Holder understands that he or she may contact his or her local human resources representative.

17. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any and all income or withholding tax (including federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to the Holder's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Holder acknowledges that the ultimate liability for all Tax-Related Items is and remains the Holder's responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. The Holder further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of RSUs, the issuance of Shares, the subsequent sale of any Shares acquired under the Award and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate the Holder's liability for Tax-Related Items or achieve any particular tax result. Further, if the Holder has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any taxable or tax withholding event, as applicable, the Holder acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Holder shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items that the Company determines it or the Employer is required to withhold under applicable laws with respect to the RSUs. In this regard, the Holder authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligation with regard to all Tax-Related Items by any one or a combination of the following methods: (1) by requiring the Holder to pay such amount in cash or by check; (2) by deducting such amount out of wages or any other cash compensation otherwise payable to the Holder by the Company and/or the Employer; (3) by withholding (and/or reacquiring) a number of Shares issuable (or issued) in payment of the RSUs having a Fair Market Value equal to such amount; (4) by requiring the Holder to deliver to the Company already owned shares of Common Stock having a Fair Market Value equal to such amount; and/or (5) withholding such amount from the proceeds of a sale of a sufficient number of Shares issued upon vesting of the

RSUs ("Sell-To-Cover") either through a voluntary sale or through a mandatory sale arranged by the Company (on the Holder's behalf pursuant to this authorization). For these purposes, the Fair Market Value of any Shares to be withheld or repurchased, as applicable, shall be determined on the date that Tax-Related Items are to be determined. To the extent any of the above methods involves a sale of Shares, the Holder acknowledges that neither the Company nor its designated broker is obligated to arrange for such sale of Shares at any particular price.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Holder is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Holder's participation in the Plan.

(c) The Holder shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Holder's receipt of RSUs, the vesting of RSUs, or the issuance of Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to the Holder if the Holder fails to comply with the Holder's obligations in connection with Tax-Related Items as described in this Section 17.

(d) The Holder understands that the Company may allow the Holder to select a tax withholding collection method and that, if no selection is made, the default collection method may be Sell-To-Cover. In that default case and/or if the Holder subsequently selects Sell-To-Cover (or the related "same-day sale" alternative), the Holder hereby agrees and instructs that a sufficient number of Shares issued in payment of RSUs that become non-forfeitable shall be sold by the Company's designated brokerage firm on the Holder's behalf and for the Holder's account pursuant to this authorization on or as soon as administratively possible after the date of issuance. This paragraph is intended as a trading plan meeting the requirements of Rule 10b5-1(c)(1)(i) under the U.S. Securities Exchange Act of 1934, as amended. The Holder hereby represents and warrants that (a) at the time of entering into this Agreement and trading plan and at the time of making any subsequent Sell-To-Cover or "same-day sale" election constituting a trading plan hereunder, he or she is not aware of any material, nonpublic information regarding the Company or its securities and (b) he or she is entering into this Agreement and any such trading plan in good faith and not as part of a plan or scheme to avoid the prohibitions of Rule 10b5-1. The Holder agrees (i) never to directly or indirectly communicate any material, non-public information regarding the Company to the Company's designated brokerage firm or any employee or affiliate thereof and (ii) at any time an above trading plan is in effect, (x) not to influence how, when, or whether the Shares are sold (other than by selecting a different tax withholding collection method that does not involve sale of Shares, which is equivalent to terminating the trading plan), and (y) not to enter into or alter a corresponding hedging transaction or position with respect to the Shares. The Holder agrees that he or she will not change the tax withholding collection method to Sell-To-Cover (or to the related "same-day sale" alternative) at a time when he or she would be prohibited from trading under the Company's Insider Trading Policy (as defined below).

18. Miscellaneous.

(a) Headings. The headings in this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction of, and shall not constitute a part of, this Agreement.

(b) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be made under the Plan (or other Company equity plans) by electronic means, request the Holder's consent to participate in the Plan (or other Company equity plans) by electronic means, or deliver vested Shares by book-entry to the Holder's account at a brokerage selected by the Company. The Holder hereby consents to receive such documents by electronic delivery, authorizes vested shares to be delivered to such a brokerage account by book-entry, and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third-party brokerage designated by the Company.

(c) Section 409A. This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Holder shall be solely responsible for any and all tax liability with respect to the Award.

(d) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(e) Governing Law/Choice of Venue.

- (1) This Agreement and the rights of the Holder hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof).
- (2) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.
- (f) Imposition of Other Requirements. If the Holder relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Holder's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Holder to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (g) No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Holder's participation in the Plan, or the Holder's acquisition or sale of the underlying Shares. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
- (h) Insider Trading Restrictions/Market Abuse Laws. The Holder acknowledges and agrees that he or she is subject to the Company's Amended and Restated Insider Trading Policy as may be amended from time to time (the "Insider Trading Policy") including its restrictions that extend for a limited period of time after the Holder's termination of service. In addition, the Holder understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Holder acknowledges that it is the Holder's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Holder's acquisition, holding, and any disposition of Shares or rights to Shares.
- (i) Recoupment. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Board or the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to this Award, any Shares that may be issued in respect of this Award, and any proceeds (including dividends and sale proceeds) of such Shares.
- (j) Entire Agreement. This Agreement, the Notice of Grant, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.
- (k) Signature and Acceptance. This Agreement shall be deemed to have been accepted and signed by the Holder and the Company as of the Date of Grant upon the Holder's online acceptance or deemed acceptance as set forth in the Notice of Grant.
- (l) Modifications. The provisions of this Agreement may not be changed, modified, or waived in a manner that is adverse to the Holder's interests except by means of a writing signed by the Holder and the Company.

APPENDIX A

This Appendix A to the Spansion Inc. 2010 Equity Incentive Award Plan, as amended (the "Plan"), Restricted Stock Unit Agreement (the "Agreement") includes special terms and conditions applicable to Holders in the countries below. These terms and conditions are in addition to or substitute for, as applicable, those set forth in the Agreement. Any capitalized term used in this Appendix A without definition shall have the meaning ascribed to such term in the Plan or the Notice of Grant, as applicable.

Each Holder is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in the Holder's country may apply to the Holder's individual situation.

ALL COUNTRIES OUTSIDE THE UNITED STATES

The following provisions replace Section 8 of the Agreement:

Nature of Award. In accepting the Award, the Holder acknowledges, understands, and agrees that:

- (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;

(ii) the Award of RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded repeatedly in the past;

(iii) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(iv) the Holder's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Holder's employment relationship;

(v) the Holder's participation in the Plan is voluntary;

(vi) the Award of RSUs is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and which is outside the scope of the Holder's employment contract, if any;

(vii) the Award of RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary;

(viii) in the event that the Holder is not an employee of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company; and furthermore, the Award will not be interpreted to form an employment contract with the Employer or any Subsidiary;

(ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs upon Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the Award of RSUs to which the Holder is otherwise not entitled, the Holder irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Holder shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) upon a Termination of Service (whether or not in breach of local labor laws), the Holder's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Holder is no longer actively employed by or does no longer actively render services to the Company or any of its Subsidiaries and will not be extended by any notice period mandated under local law; the Administrator shall have the exclusive discretion to determine when the Holder is no longer actively employed for purposes of this Award of RSUs.

CANADA

Settlement of RSUs. Notwithstanding any terms or conditions of the Plan or the Agreement to the contrary, RSUs will be settled in shares of Common Stock only, not cash.

Securities Law Information. You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the NASDAQ.

Termination of Employment. This provision replaces Section 4(a) of the Agreement:

In the event of your termination of employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you are no longer actively providing service or (2) the date you receive notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the RSUs.

The following provisions apply if you are resident in Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that this Agreement, including this Appendix, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés

directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Maternity and Paternity Leave. For the avoidance of doubt, Section 4(b) of the Agreement shall not apply to any maternity or paternity leave to which employees in Canada are entitled by law.

FINLAND

No country-specific Agreement terms apply.

FRANCE

Sub-Plan. The Award shall be deemed not to have been granted under any French sub-plan.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, employment history and status, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third party is E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005, however the Company may retain additional or different third parties for any of the purposes mentioned. The Company may also make the Data available to public authorities where required under locally applicable law. These recipients may be located in the United States, the European Economic Area, or elsewhere, which the Holder separately and expressly consents to, accepting that outside the European Economic Area, data protection laws may not be as protective as within. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company through its local H.R. director; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement. Data will only be held as long as necessary to implement, administer and manage the Holder's participation in the Plan and any subsequent claims or rights.

French Language Provision. By accepting this Agreement, Holder confirms having read and understood the documents relating to the Plan which were provided to Holder in the English language. Holder accepts the terms of those documents accordingly.

French translation: *En acceptant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

Exchange Control Information. If you import or export cash (e.g., sales proceeds received under the Plan) with a value equal to or exceeding €10,000 and do not use a financial institution to do so, you must submit a report to the customs and excise authorities.

Tax Reporting. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when filing your annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Holder must acknowledge and accept the Agreement by signing a copy of the Agreement and returning the original signed document within 30 days after the date of the electronic mail notification of the Agreement. For the avoidance of doubt, this Agreement may be accepted electronically or please sign and return the Agreement to: Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

No Impact on Other Rights. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of RSUs or other awards under the Plan in the future.

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In the event that you make or receive a payment in excess of this amount, you are responsible for obtaining the appropriate form from the remitting bank and complying with applicable reporting requirements.

Consent to Personal Data Processing and Transfer.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("**Data**"). The Company and the Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), at the time being E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005. These recipients are located in the European Economic Area, but also outside and in so-called insecure third-party countries that do not guarantee the data privacy protection level of the European Economic Area, for example the United States. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

HONG KONG

WARNING: The RSUs and Shares do not constitute a public offering of securities under Hong Kong law and are available only to Employees. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each Employee and may not be distributed to any other person. If the Employee is in any doubt about any of the contents of the Agreement, including this Appendix or the Plan, the Employee should obtain independent professional advice.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Sale of Shares. To facilitate compliance with securities laws in Hong Kong, in the event the Employee's RSUs vest and Shares are issued to the Employee within six months of the Date of Grant, the Employee agrees that he or she will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("**ORSO**"). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, then the Employee's grant shall be void.

INDIA

Exchange Control Notification. The Holder understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the funds into local currency within 90 days of receipt. The Holder must obtain a foreign inward remittance certificate ("**FIRC**") from the bank where the Holder deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company requests proof of repatriation. **It is your responsibility to comply with applicable exchange control laws in India.**

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

IRELAND

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Exclusion from Termination Indemnities and Other Benefits. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, the Holder acknowledges, understands, and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

Director Notification. If the Holder is a director, shadow director or secretary of an Irish subsidiary of the Company, the Holder is

subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is an obligation to notify the Irish affiliate in writing within five (5) business days when the Holder receives an interest (e.g., RSUs, Shares) in the Company and the number and class of shares or rights to which the interest relates. In addition, the Holder must notify the Irish subsidiary within five (5) business days when the Holder sells Shares acquired under the Plan. This notification requirement also applies to any rights or Shares acquired by the Holder's spouse or children (under the age of 18).

ISRAEL

Securities Law Notice. This RSU Award is granted pursuant to an exemption issued by the Israeli Securities Authority under Section 15D of the Securities Law of 1968. The grant of this RSU Award and the issuance of its underlying shares are registered with the U.S. Securities and Exchange Commission on Form S-8. The Company will make available to any interested Israeli offeree, at his or her workplace, the Form S-8 and all documents attached to the Form S-8, including any document directly or indirectly referred to in the Form S-8 or in its exhibits. To request any such documents, please contact stockadmin@cypress.com.

Sub-Plan and Tax-Based Restrictions. If on the Date of Grant, the Holder is an employee of the Company's subsidiary in Israel, Cypress Semiconductors Ltd., then this Award is granted under and subject to the terms of the Spansion Inc. 2010 Equity Incentive Agreement Plan Sub-Plan – Israel (the "Israeli Sub-Plan") and the Holder acknowledges and agrees to the following: This Agreement is granted under and governed by the Plan, the Israeli Sub-Plan, Section 102(b)(2) of the Israeli Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith ("Section 102"), and the trust agreement (the "Trust Agreement") between the Company and the Trustee (as defined in the Israeli Sub-Plan).

- The proceeds of any shares of Common Stock issued upon vesting of the RSUs will be remitted by the Company or its designated broker to the Trustee to administer on Holder's behalf, pursuant to the terms of Section 102 and the Trust Agreement.
- Holder is familiar with the terms and provisions of Section 102, particularly the Capital Gains Track (as defined in the Israeli Sub-Plan) described in subsection (b)(2) thereof, and agrees that Holder will not release or sell (or require the Trustee to release or sell) the RSUs or underlying shares of Common Stock during the Restricted Holding Period (as defined in the Israeli Sub-Plan), unless permitted to do so by applicable law.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and the Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan, including transfers outside of Israel and further transfers thereafter. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

ITALY

Data Privacy Notice and Consent

This provision replaces the "Data Privacy" section of the Agreement.

Holder hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this section of Appendix A by and among, as applicable, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Holder's participation in the Plan (and grants of awards made thereunder).

Holder understands that the Company and any Subsidiary may hold certain personal information about Holder, including but not limited to, Holder's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of the RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Holder's

favor, for the exclusive purpose of managing and administering the Plan ("Personal Data").

Holder also understands that providing the Company with Personal Data is necessary for the performance of the Plan and that Holder's denial to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect Holder's ability to participate in the Plan. The Controller of Personal Data processing is Cypress Semiconductor Corporation, with its principal offices at 198 Champion Court, San Jose, California 95134, United States of America, and, pursuant to Legislative Decree no. 196/2003, its representative is Cypress Semiconductor GmbH (a subsidiary of Cypress Semiconductor Corporation) - Willy-Brandt-Allee 4, 81829 Munich, Germany.

Holder understands that Personal Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan (and grants of awards made thereunder). Holder further understands that the Company and/or a Subsidiary will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of Holder's participation in the Plan (and grants of awards made thereunder), and that the Company and/or a Subsidiary may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), including any requisite transfer of Personal Data to a broker or other third party with whom Holder may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing Holder's participation in the Plan (and grants of awards made thereunder). Holder understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Holder understands that Personal Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area as specified herein and pursuant to applicable laws and regulations, does not require Holder's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan (and grants of awards made thereunder). Holder understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Holder has the right to, including but not limited to, access, delete, update, correct or stop, for legitimate reason, the Personal Data processing. Furthermore, Holder is aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting Holder's human resources department.

Plan Document Acknowledgment. In accepting the RSU, the Holder acknowledges that a copy of the Plan was made available to the Holder and that the Holder has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan, the Agreement and this Appendix.

The Holder further acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Vesting Schedule and Vesting Conditions and Nature of Award, as well as the following provision in the Plan: Restricted Stock/Restricted Stock Units.

Additional Tax/Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Common Stock to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including proceeds from the sale of Common Stock acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to taxable income in Italy; and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (a) above if the transfer or investment is made through an authorized broker resident in Italy.

JAPAN

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold the following personal information for the purpose of managing and administering the Plan ("Data"): the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or

Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor. From time to time, the Company may change the scope of its affiliates that hold, use or process Holder's personal information or the scope of Holder's personal information to be held, used or processed by the Company, its affiliates and the Holder's employer, by providing, or making easily accessible, information about such change to the Holder. The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, Japan or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

KOREA

Exchange Control Information. Korean residents who realize US\$500,000 or more from the sale of shares of Common Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MALAYSIA

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information from the Holder's records, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder) and will disclose certain Data to the Inland Revenue Board and other relevant authorities as required by law. These recipients may be located in the United States, the European Economic Area, Malaysia or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Data will be retained by the Company, its affiliates and the Holder's employer for the entire duration of the Holder's employment or service and for a further seven years after cessation of employment or service. The holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting Zauyah Kechik (or other authorized individual), at Sdn. Bhd. (613545-T), Phase II, Free Industrial Zone, Bayan Lepas, 11900 Penang, Malaysia; site phone no: +60 4 888 2000.

Disclosure of Data is obligatory for the implementation, administration and management of the Plan (and grants of awards made thereunder); however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

Director Notification. If the Holder is a director of a subsidiary or other related company in Malaysia, then the Holder is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian subsidiary in writing when the Holder receives an interest (e.g., RSUs, Shares) in the Company or any related companies. In addition, the Holder must notify the Malaysian subsidiary when he or she sells Shares of the Company or any related company (including when the Holder sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company or any related company.

Securities Law Information. Malaysian insider-trading rules may impact the acquisition or disposal of Shares or rights to Shares under the Plan. Under such rules, the Holder is prohibited from acquiring Shares or rights to Shares (e.g., RSUs) or selling Shares when he or she possesses information that is not generally available and which the Holder knows or should know will have a material effect on the price of the Shares once such information is generally available. By accepting this grant, the Holder acknowledges that he or she is not in possession of any material, non-publicly disclosed information regarding the Company at the time of grant and will not acquire or sell Shares when in possession of any material, non-publicly disclosed information regarding the Company.

SINGAPORE

Securities Law Information. The RSUs were granted to the Holder pursuant to the "Qualifying Person" exemption under section 273(1)

(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Agreement and the Plan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Holder should note that the Holder's RSUs are subject to section 257 of the SFA and the Holder will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of the Shares unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Holder is a director, associate director or shadow director of a subsidiary or other related company in Singapore, the Holder is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore subsidiary in writing when the Holder receives an interest (e.g., RSUs, Shares) in the Company or any related company. In addition, the Holder must notify the Singapore subsidiary when the Holder sells Shares of the Company or any related company (including when the Holder sells Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of the Holder's interests in the Company or any related company within two business days of becoming a director.

Insider Trading Notification. You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to shares of Common Stock under the Plan. Under the Singapore insider trading rules, you are prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (e.g., RSUs under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Common Stock once such information is generally available.

SWEDEN

No country-specific Agreement terms apply.

TAIWAN

Exchange Control Information. You may remit foreign currency (including proceeds from the sale of Common Stock) into or out of Taiwan up to US\$5,000,000 per year without special permission. If the transaction amount is TWD500,000 or more in a single transaction, you must submit a *Foreign Exchange Transaction Form* to the remitting bank and provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

No country-specific Agreement terms apply.

THE NETHERLANDS

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, citizen service number (*burgerservicenummer*) (former social security number) or other Holder tax identification number (insofar as allowed), salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third parties are E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005., however the Company may retain additional or different third parties for any of the purposes mentioned. These recipients may be located in the United States, the European Economic Area, or elsewhere. Countries outside the European Economic Area do not provide for a similar level of data protection as within the European Economic Area pursuant to the European Data Protection Directive 95/46/EC. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement. The holder understands that he or she may request a list of the names and addresses of the third party recipients of Data by contacting the Company through its local H.R. Representative at Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

UNITED KINGDOM

Eligible Individual. For the purpose of RSUs awarded in the UK, Consultants and Outside Directors are not eligible to receive awards.

Tax Withholding.

The following is added to the "Responsibility for Taxes" section of the Agreement.

The Holder will be liable for and agrees to indemnify and keep indemnified the Company, any subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, Holder's National Insurance contributions and employer's National Insurance Contributions) that is attributable to (i) the grant or vesting of, or any benefit derived by the Holder from, the RSUs, (ii) the acquisition by the Holder of the Common Stock on the settlement of the RSUs, or (iii) the disposal of any Common Stock.

The RSUs will not vest until the Holder has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting or settlement of the RSUs and/or the acquisition of the Common Stock by the Holder. The Company shall not be required to issue, allot or transfer Common Stock until the Holder has satisfied this obligation.

No Right to Continued Employment.

This provision supplements the "Nature of Award" section of the Agreement.

Neither the RSUs nor this Agreement:

- (i) confers upon the Holder any right to continue to be an Employee or Consultant of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate the Holder's employment at any time; or
- (ii) forms part of the Holder's entitlement to remuneration and benefits in terms of his/her employment, or affects the Holder's terms and conditions of employment.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information (including sensitive personal information) such as the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). By participating in the Plan, the Holder agrees that the Company, its affiliates and the Holder's employer may hold and process such Data, and may transfer Data to any third parties assisting the Company or its affiliates in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Holder hereby authorizes them to receive, possess, process, use, hold, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder) and in the course of the Company's business, including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Joint Election. As a condition of the grant of RSUs, the Holder agrees to accept any liability for secondary Class 1 National Insurance contributions (the "Employer NICs") which may be payable by the Company or the Employer with respect to the vesting of the RSUs or otherwise payable with respect to a benefit derived in connection with the RSUs.

Without limitation to the foregoing, if requested by the Company, the Holder agrees to execute a joint election between the Company and/or the Employer and Holder (the "Joint Election"), the form of such Joint Election being formally approved by Her Majesty's Revenue & Customs ("HMRC"), and any other consent or election required to accomplish the transfer of the Employer NICs to the Holder. The Holder further agrees to execute such other joint elections as may be required between the Holder and any successor to the

Company and/or the Employer. If the Holder does not enter into a Joint Election in response to a Company request, no Shares shall be issued to the Holder (and neither the Company nor the Employer shall have any liability with respect to such non-issuance of shares). The Holder further agrees that the Company and/or the Employer may collect the Employer NICs from the Holder by any means.

If the Holder has signed a Joint Election in the past with respect to an RSU award granted to him or her by the Company and that Joint Election applies to all grants made under the Plan, the Holder need not sign another Joint Election in connection with this RSU grant.

Responsibility for Taxes. This provision supplements the Agreement:

You agree that, if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe at vesting and settlement of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares of Common Stock issued upon vesting of your RSUs or from the cash proceeds from the sale of shares of Common Stock or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares of Common Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are such a director or executive officer and the income tax that is due is not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any Holder national insurance contributions due on this additional benefit.

NOTICE OF GRANT OF MILESTONE-BASED RESTRICTED STOCK UNITS

Congratulations! You have been granted an Award of Milestone-Based Restricted Stock Units ("RSUs") by Cypress Semiconductor Corporation under the Spansion Inc. 2010 Equity Incentive Award Plan, as amended, and any applicable sub-plan thereto for your country (collectively, the "Plan"), as follows:

PARTICIPANT NAME: [name]

PARTICIPANT ID: [ID#]

TARGET NUMBER OF RSUs GRANTED: [number]

Each RSU is equivalent to one share of Common Stock of Cypress Semiconductor Corporation (the "Company") for purposes of determining the number of Shares subject to this Award. The RSUs are subject to forfeiture prior to vesting. None of the RSUs will vest (nor will you have the rights of a stockholder with respect to the underlying shares) until you satisfy the vesting conditions described below and in the Milestone-Based Restricted Stock Unit Agreement accompanying this notice (the "RSU Agreement"). The number of unvested RSUs and underlying shares is subject to adjustment under Section 12.2 of the Plan (such as in connection with a stock split or spin-off). Unless otherwise defined in this Notice of Grant of Milestone-Based Restricted Stock Units (this "Notice of Grant"), capitalized words that are defined in the Plan or the RSU Agreement have the meanings given to them in the Plan or the RSU Agreement, as applicable. Additional terms of this grant are as follows:

GRANT NUMBER: [number]

GRANT DATE: [date]

VESTING BASE DATE: [date]

VESTING SCHEDULE:

Target Number of RSUs

Vesting Date

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

[number of shares]

[date]

You acknowledge and agree that this Notice of Grant (including the vesting schedule above) does not constitute an express or implied promise of continued engagement as an Employee or Consultant for the vesting period, for any period, or at all.

You will not receive any Shares upon vesting unless and until satisfactory arrangements (as determined by the Administrator) have been made with respect to the collection of all Tax-Related Items that the Company or your Employer determines must be withheld with respect to such Shares to be delivered upon the vesting of the RSUs. Currently, you can view the tax withholding collection method(s) that the Administrator has made available to you, including the default collection method (and if applicable you may be able to select an alternate method) by accessing your Plan account at www.ETRADE.com.

The Company's online acceptance procedure requires that you open each of the linked documents in order to proceed to acceptance.

Please confirm your acceptance of this Award by clicking the "Accept" (or similar wording) button on the award acceptance screen of your Plan account at www.ETRADE.com. If you wish to *reject* this award, you must so notify the Company's Stock Plan Administrator in writing to stockadmin@cypress.com no later than sixty (60) days after the grant date shown above. If within such sixty (60) day period you neither affirmatively accept nor affirmatively reject this Award, you will be deemed to have accepted this Award at the end of such sixty (60) day period pursuant to the terms and conditions set forth in this Notice of Grant, the RSU Agreement, and the Plan.

By your acceptance of this Award:

- you acknowledge receiving and reviewing this Notice of Grant, the RSU Agreement, the Plan, and the Company's related Prospectus;

- you agree that the RSUs are granted under and governed by the terms and conditions of, and you agree to be bound by the terms of, this Notice of Grant, the RSU Agreement, and the Plan;
- you agree to accept as binding, conclusive, and final all decisions or interpretations of the Plan Administrator upon any questions relating to the Plan and this Award; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the RSU Agreement for the purpose of implementing, administering and managing your participation in the Plan.**

This Notice of Grant shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and upon acceptance shall be deemed to have been executed and delivered by the parties hereto as of the grant date shown above.

**CYPRESS SEMICONDUCTOR CORPORATION
SPANSION INC. 2010 EQUITY INCENTIVE AWARD PLAN**

MILESTONE-BASED RESTRICTED STOCK UNIT AGREEMENT

1. Grant. Cypress Semiconductor Corporation (the "Company") hereby grants to the participant (the "Holder") named in the Notice of Grant of Milestone-Based Restricted Stock Units (the "Notice of Grant") an Award of Restricted Stock Units ("RSUs"), as set forth in the Notice of Grant and subject to the terms and conditions in this Milestone-Based Restricted Stock Unit Agreement ("Agreement"), in the Company's Spansion Inc. 2010 Equity Incentive Award Plan, as amended, and in any applicable sub-plan for the Holder's country (such plan and any such sub-plan, if applicable, collectively, the "Plan"). A sub-plan is applicable to this Award if, but only if, the country-specific terms for the Holder's country as set forth in Appendix A state that this Award is granted under or subject to such sub-plan. Unless otherwise defined herein, capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan (the "Agreement").

2. Company's Obligation. Each Milestone-based RSU represents the right to receive one share of Cypress Common Stock (as adjusted in accordance with Section 12.2 of the Plan, a "Share") on the Vesting Date (as defined below) if and to the extent that the vesting conditions established by or pursuant to the Notice of Grant, this Agreement and the Plan have been satisfied. Unless and until RSUs vest, the Holder will have no right to receive Shares (or any other payment) in connection with such RSUs. Prior to actual distribution of Shares in settlement of any vested RSUs, such RSUs represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Conditions and Procedure.

(a) Vesting Conditions. Subject to Section 4 below, the vesting of RSUs on each scheduled vesting date set forth in the Notice of Grant (each, a "Vesting Date") shall be subject to (i) the Holder's continuous service as an Employee or Consultant from the grant date specified in the Notice of Grant (the "Date of Grant") to such Vesting Date (the "Service-Based Condition") and (ii) satisfaction of the applicable performance conditions prior to such Vesting Date as described below. Employment or service for only a portion of the vesting period described in clause (i) above, even if a substantial portion, will not entitle the Holder to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or in the Plan. For each scheduled Vesting Date, the Administrator shall designate an associated performance period (each, a "Performance Period") that ends no later than such Vesting Date and shall establish performance targets applicable to such Performance Period. The Administrator shall also establish a methodology for determining the percentage of the target number of RSUs set forth opposite such Vesting Date in the Vesting Schedule (the "Target Number of RSUs") that will be credited to the Holder based on relative achievement of such performance targets ("Performance-Based Criteria"). Performance-Based Criteria (1) shall be established by the Administrator not later than thirty (30) days after the start of a quarterly or semi-annual Performance Period to which they relate, and no later than ninety (90) days after the start of an annual (or longer) Performance Period to which they relate and (2) shall be communicated to the Holder promptly after being established by the Administrator. Within sixty (60) days following the end of each Performance Period, the Administrator shall determine whether and the extent to which the performance targets for that Performance Period were met and will confirm the crediting percentage (the "Crediting Percentage") that applies pursuant to the previously established methodology. Such determination shall be final and binding absent manifest error. In no event shall the Crediting Percentage be greater than 200 percent. For the avoidance of doubt, unless the Holder is an executive officer, the responsibilities allocated to the Administrator in this paragraph may be performed by an officer of the Company if the Administrator has delegated appropriate authority to such officer.

(b) Vesting Procedure. On each Vesting Date, if the Holder has satisfied the Service-Based Condition, the number of RSUs that shall vest and become non-forfeitable shall be equal to the Target Number of RSUs for such Vesting Date multiplied by the applicable Crediting Percentage. Any of the Target Number of RSUs for a particular Vesting Date that do not vest on such Vesting Date in accordance with this Section 3 shall terminate as of the last day of the associated Performance Period.

4. Forfeiture upon Termination of Service; Leaves of Absence.

(a) Forfeiture upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, upon the Holder's Termination of Service for any or no reason after the Date of Grant but prior to vesting, any unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company and, if applicable, at no cost to the Company affiliate that actually employs or otherwise engages the Holder (the "Employer"). Neither the Holder nor any of the Holder's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement or the Plan.

(b) Unpaid Leaves of Absence. Unless otherwise provided by the Administrator (such as in a leave of absence vesting policy or otherwise) and subject to compliance with all applicable laws, in the event the Holder takes an approved but unpaid leave of absence ("LOA") from the Company or the Employer (as applicable) during a Performance Period, such LOA shall have the following effects:

- (1) if the Performance Period is one fiscal year or less and the portion of the Performance Period during which the Holder is on LOA is less than or equal to 25% of the Performance Period, then the number of Shares that actually vests on the Vesting Date associated with such Performance Period shall be the number that otherwise would have vested on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in the Performance Period during which the Holder was *not* on LOA, and the denominator of which is the number of calendar days in the Performance Period;
- (2) if the Performance Period is one fiscal year or less and the portion of the Performance Period during which the Holder is on LOA is greater than 25% of the Performance Period, then the Target Number of RSUs associated with such Performance Period shall be forfeited when the length of the LOA exceeds 25% of the Performance Period and no RSUs shall be eligible to be earned or to vest for such Performance Period;
- (3) if the Performance Period is longer than one fiscal year and the portion of the Performance Period during which the Holder is on LOA is 180 days or less, then the number of Shares that actually vests on the Vesting Date associated with such Performance Period shall be the number that otherwise would have vested on such date under Section 3(b) above multiplied by a fraction, the numerator of which is the number of calendar days in the Performance Period during which the Holder was *not* on LOA, and the denominator of which is the number of calendar days in the Performance Period; and
- (4) if the Performance Period is longer than one fiscal year and the portion of the Performance Period during which the Holder is on LOA is 181 days or more, then the Target Number of RSUs associated with such Performance Period shall be forfeited on such 181st day and no RSUs shall be eligible to be earned or to vest for such Performance Period.

5. Settlement in Shares after Vesting. Subject to Section 17 (regarding tax matters), any RSUs that vest in accordance with this Agreement will be settled by delivery of Shares to the Holder (or in the event of the Holder's death, to his or her estate) as soon as practicable after (and in no case more than seventy-four days after) the date such RSUs vest and become non-forfeitable.

6. Payments after Death. Any distribution or delivery to be made to the Holder under this Agreement will, if the Holder is then deceased, be made to the administrator or executor of the Holder's estate. Any such administrator or executor must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Rights as Stockholder. Neither the Holder nor any person claiming under or through the Holder will have any of the rights or privileges of a stockholder of the Company (including, without limitation, voting and dividend rights) in respect of any Shares deliverable hereunder unless and until certificates (or book-entry positions) representing such Shares have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Holder or the Holder's broker.

8. No Effect on Employment or Status. If the Holder is employed in the United States, (1) the Holder's employment or other service relationship with the Company or the Employer is on an at-will basis only; and accordingly, the terms of the Holder's employment or other service relationship with the Company or the Employer will be determined from time to time by the Company or the Employer, and the Company or the Employer will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or other service relationship of the Holder at any time for any reason whatsoever, with or without good cause or notice; and (2) the Holder understands and agrees that the vesting of the RSUs subject to this Award pursuant to Section 3 is subject to

performance conditions, as may be determined pursuant to the terms of this Agreement, and to the Holder's continuing in the employ or service of the Company or the Employer through each applicable Vesting Date.

9. Address for Notices. (a) Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 198 Champion Court, San Jose, California 95134-1599, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing or electronically. (b) Any notice to be given to the Holder under the terms of this Agreement will be addressed to the Holder's address appearing on the books of the Company or to the Holder's residence or to such other address as may be designated in writing by the Holder. Notices may also be delivered to the Holder, during his or her employment, through the Company's inter-office or electronic mail systems.

10. Grant is Not Transferable. Except to the limited extent provided in Section 6 of this Agreement, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

11. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

12. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state, federal, or foreign law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to the Holder (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such U.S. state or federal law or securities exchange and to obtain any such consent or approval of any domestic governmental authority.

13. Plan Governs. This Agreement and the Notice of Grant are subject to all terms and provisions of the Plan. The Holder has been provided a copy of the Plan and has had an opportunity to review the Plan and shall be bound by all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement or the Notice of Grant and one or more provisions of the Plan, the provisions of the Plan will govern.

14. Administrator Authority. The Administrator will have the power to interpret the Plan, this Agreement, and the Notice of Grant and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any RSUs have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Holder, the Company, and all other interested persons. No member of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Agreement.

15. Additional Terms for Holders Providing Services Outside the United States. To the extent the Holder provides (or provided, subsequent to the vesting base date set forth in the Notice of Grant) services to the Company or the Employer in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as are set forth for such country in Appendix A attached hereto.

16. **Data Privacy.** *The Holder hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Holder's personal data as described in this Agreement by and among, as applicable, the Employer and the Company and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan.*

The Holder understands that the Company and the Employer may hold certain personal information about the Holder, including, but not limited to, the Holder's name, home address and telephone number, date of birth, social insurance number, passport number, or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Holder's favor, for the purpose of implementing, administering and managing the Plan ("Data").

The Holder understands that Data may be transferred to such stock plan service provider (or providers) as may be selected by the Company which is (or are) assisting in the implementation, administration and management of the Plan and awards granted thereunder. The Holder understands that these recipients of Data may be located in the United States, or elsewhere, and that the

recipients' country (e.g., the United States) may have different data privacy laws and protections than the Holder's country. The Holder understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Holder's local human resources representative. The Holder hereby authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan and awards granted thereunder to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Holder's participation in the Plan.

The Holder understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Holder understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Holder's local human resources representative. The Holder understands, however, that refusing or withdrawing his or her consent may affect the Holder's ability to participate in the Plan and the Participant's continued eligibility for this Award or eligibility to be granted any other awards under the Plan. For more information on the consequences of the Holder's refusal to consent or withdrawal of consent, the Holder understands that he or she may contact his or her local human resources representative.

17. Responsibility for Taxes.

(a) Regardless of any action the Company or the Employer takes with respect to any and all income or withholding tax (including federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to the Holder's participation in the Plan and legally applicable to him or her ("Tax-Related Items"), the Holder acknowledges that the ultimate liability for all Tax-Related Items is and remains the Holder's responsibility and may exceed the amount, if any, actually withheld by the Company and/or the Employer. The Holder further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of RSUs, the issuance of Shares, the subsequent sale of any Shares acquired under the Award and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the RSUs to reduce or eliminate the Holder's liability for Tax-Related Items or achieve any particular tax result. Further, if the Holder has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any taxable or tax withholding event, as applicable, the Holder acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, the Holder shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items that the Company determines it or the Employer is required to withhold under applicable laws with respect to the RSUs. In this regard, the Holder authorizes the Company and/or the Employer, or their respective agents, to satisfy the obligation with regard to all Tax-Related Items by any one or a combination of the following methods: (1) by requiring the Holder to pay such amount in cash or by check; (2) by deducting such amount out of wages or any other cash compensation otherwise payable to the Holder by the Company and/or the Employer; (3) by withholding (and/or reacquiring) a number of Shares issuable (or issued) in payment of the RSUs having a Fair Market Value equal to such amount; (4) by requiring the Holder to deliver to the Company already owned shares of Common Stock having a Fair Market Value equal to such amount; and/or (5) withholding such amount from the proceeds of a sale of a sufficient number of Shares issued upon vesting of the RSUs ("Sell-To-Cover") either through a voluntary sale or through a mandatory sale arranged by the Company (on the Holder's behalf pursuant to this authorization). For these purposes, the Fair Market Value of any Shares to be withheld or repurchased, as applicable, shall be determined on the date that Tax-Related Items are to be determined. To the extent any of the above methods involves a sale of Shares, the Holder acknowledges that neither the Company nor its designated broker is obligated to arrange for such sale of Shares at any particular price.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Holder is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Holder's participation in the Plan.

(c) The Holder shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Holder's receipt of RSUs, the vesting of RSUs, or the issuance of Shares that cannot be satisfied by the means previously described. The Company may refuse to deliver Shares to the Holder if the Holder fails to comply with the Holder's obligations in connection with Tax-Related Items as described in this Section 17.

(d) The Holder understands that the Company may allow the Holder to select a tax withholding collection method and that, if no selection is made, the default collection method may be Sell-To-Cover. In that default case and/or if the Holder subsequently selects

Sell-To-Cover (or the related "same-day sale" alternative), the Holder hereby agrees and instructs that a sufficient number of Shares issued in payment of RSUs that become non-forfeitable shall be sold by the Company's designated brokerage firm on the Holder's behalf and for the Holder's account pursuant to this authorization on or as soon as administratively possible after the date of issuance. This paragraph is intended as a trading plan meeting the requirements of Rule 10b5-1(c)(1)(i) under the U.S. Securities Exchange Act of 1934, as amended. The Holder hereby represents and warrants that (a) at the time of entering into this Agreement and trading plan and at the time of making any subsequent Sell-To-Cover or "same-day sale" election constituting a trading plan hereunder, he or she is not aware of any material, nonpublic information regarding the Company or its securities and (b) he or she is entering into this Agreement and any such trading plan in good faith and not as part of a plan or scheme to avoid the prohibitions of Rule 10b5-1. The Holder agrees (i) never to directly or indirectly communicate any material, non-public information regarding the Company to the Company's designated brokerage firm or any employee or affiliate thereof and (ii) at any time an above trading plan is in effect, (x) not to influence how, when, or whether the Shares are sold (other than by selecting a different tax withholding collection method that does not involve sale of Shares, which is equivalent to terminating the trading plan), and (y) not to enter into or alter a corresponding hedging transaction or position with respect to the Shares. The Holder agrees that he or she will not change the tax withholding collection method to Sell-To-Cover (or to the related "same-day sale" alternative) at a time when he or she would be prohibited from trading under the Company's Insider Trading Policy (as defined below).

18. Miscellaneous.

(a) Headings. The headings in this Agreement are provided for convenience only and are not to serve as a basis for interpretation or construction of, and shall not constitute a part of, this Agreement.

(b) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to this Award or future Awards that may be made under the Plan (or other Company equity plans) by electronic means, request the Holder's consent to participate in the Plan (or other Company equity plans) by electronic means, or deliver vested Shares by book-entry to the Holder's account at a brokerage selected by the Company. The Holder hereby consents to receive such documents by electronic delivery, authorizes vested shares to be delivered to such a brokerage account by book-entry, and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third-party brokerage designated by the Company.

(c) Section 409A. This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Holder shall be solely responsible for any and all tax liability with respect to the Award.

(d) Invalid Provision. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(e) Governing Law/Choice of Venue.

(1) This Agreement and the rights of the Holder hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof).

(2) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(f) Imposition of Other Requirements. If the Holder relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Holder's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Holder to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(g) No Advice Regarding Award. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Holder's participation in the Plan, or the Holder's acquisition or sale of the underlying Shares. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) Insider Trading Restrictions/Market Abuse Laws. The Holder acknowledges and agrees that he or she is subject to the Company's Amended and Restated Insider Trading Policy as may be amended from time to time (the "Insider Trading Policy") including its

restrictions that extend for a limited period of time after the Holder's termination of service. In addition, the Holder understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Holder acknowledges that it is the Holder's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Holder's acquisition, holding, and any disposition of Shares or rights to Shares.

(i) Recoupment. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Board or the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to this Award, any Shares that may be issued in respect of this Award, and any proceeds (including dividends and sale proceeds) of such Shares.

(j) Entire Agreement. This Agreement, the Notice of Grant, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(k) Signature and Acceptance. This Agreement shall be deemed to have been accepted and signed by the Holder and the Company as of the Date of Grant upon the Holder's online acceptance or deemed acceptance as set forth in the Notice of Grant.

(l) Modifications. The provisions of this Agreement may not be changed, modified, or waived in a manner that is adverse to the Holder's interests except by means of a writing signed by the Holder and the Company.

APPENDIX A

This Appendix A to the Spansion Inc. 2010 Equity Incentive Award Plan, as amended (the "Plan"), Restricted Stock Unit Agreement (the "Agreement") includes special terms and conditions applicable to Holders in the countries below. These terms and conditions are in addition to or substitute for, as applicable, those set forth in the Agreement. Any capitalized term used in this Appendix A without definition shall have the meaning ascribed to such term in the Plan or the Notice of Grant, as applicable.

Each Holder is advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in the Holder's country may apply to the Holder's individual situation.

ALL COUNTRIES OUTSIDE THE UNITED STATES

The following provisions replace Section 8 of the Agreement:

Nature of Award. In accepting the Award, the Holder acknowledges, understands, and agrees that:

- (i) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;
- (ii) the Award of RSUs is voluntary and occasional and does not create any contractual or other right to receive future awards of RSUs, or benefits in lieu of RSUs even if RSUs have been awarded repeatedly in the past;
- (iii) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;
- (iv) the Holder's participation in the Plan will not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Holder's employment relationship;
- (v) the Holder's participation in the Plan is voluntary;
- (vi) the Award of RSUs is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or to the Employer, and which is outside the scope of the Holder's employment contract, if any;
- (vii) the Award of RSUs is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary;
- (viii) in the event that the Holder is not an employee of the Company, the Award shall not be interpreted to form an employment contract or relationship with the Company; and furthermore, the Award will not be interpreted to form an employment contract with the Employer or any Subsidiary;
- (ix) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs upon Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and in consideration of the Award of RSUs to which the Holder is otherwise not entitled, the Holder irrevocably agrees never to institute any claim against the Company or the Employer, waives the ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Holder shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) upon a Termination of Service (whether or not in breach of local labor laws), the Holder's right to vest in the RSUs under the Plan, if any, will terminate effective as of the date that the Holder is no longer actively employed by or does no longer actively render services to the Company or any of its Subsidiaries and will not be extended by any notice period mandated under local law; the Administrator shall have the exclusive discretion to determine when the Holder is no longer actively employed for purposes of this Award of RSUs.

CANADA

Settlement of RSUs. Notwithstanding any terms or conditions of the Plan or the Agreement to the contrary, RSUs will be settled in shares of Common Stock only, not cash.

Securities Law Information. You acknowledge and agree that you will only sell shares of Common Stock acquired through participation in the Plan outside of Canada through the facilities of a stock exchange on which the Common Stock is listed. Currently, the shares of Common Stock are listed on the NASDAQ.

Termination of Employment. This provision replaces Section 4(a) of the Agreement:

In the event of your termination of employment or other service relationship (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), your right to vest in the RSUs will terminate effective as of the date that is the earlier of (1) the date you are no longer actively providing service or (2) the date you receive notice of termination of employment from the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the RSUs.

The following provisions apply if you are resident in Quebec:

Language Acknowledgment. The parties acknowledge that it is their express wish that this Agreement, including this Appendix, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be provided to them in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Maternity and Paternity Leave. For the avoidance of doubt, Section 4(b) of the Agreement shall not apply to any maternity or paternity leave to which employees in Canada are entitled by law.

FINLAND

No country-specific Agreement terms apply.

FRANCE

Sub-Plan. The Award shall be deemed not to have been granted under any French sub-plan.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, employment history and status, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third party is

E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005, however the Company may retain additional or different third parties for any of the purposes mentioned. The Company may also make the Data available to public authorities where required under locally applicable law. These recipients may be located in the United States, the European Economic Area, or elsewhere, which the Holder separately and expressly consents to, accepting that outside the European Economic Area, data protection laws may not be as protective as within. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company through its local H.R. director; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement. Data will only be held as long as necessary to implement, administer and manage the Holder's participation in the Plan and any subsequent claims or rights.

French Language Provision. By accepting this Agreement, Holder confirms having read and understood the documents relating to the Plan which were provided to Holder in the English language. Holder accepts the terms of those documents accordingly.

French translation: *En acceptant ce Contrat vous confirmez ainsi avoir lu et compris les documents relatifs au Plan qui vous ont été communiqués en langue anglaise. Vous en acceptez les termes en connaissance de cause.*

Exchange Control Information. If you import or export cash (e.g., sales proceeds received under the Plan) with a value equal to or exceeding €10,000 and do not use a financial institution to do so, you must submit a report to the customs and excise authorities.

Tax Reporting. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when filing your annual tax return. Failure to comply could trigger significant penalties.

GERMANY

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Holder must acknowledge and accept the Agreement by signing a copy of the Agreement and returning the original signed document within 30 days after the date of the electronic mail notification of the Agreement. For the avoidance of doubt, this Agreement may be accepted electronically or please sign and return the Agreement to: Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

No Impact on Other Rights. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive any other grant of RSUs or other awards under the Plan in the future.

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. In the event that you make or receive a payment in excess of this amount, you are responsible for obtaining the appropriate form from the remitting bank and complying with applicable reporting requirements.

Consent to Personal Data Processing and Transfer.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company and the Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), at the time being E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005. These recipients are located in the European Economic Area, but also outside and in so-called insecure third-party countries that do not guarantee the data privacy protection level of the European Economic Area, for example the United States. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

HONG KONG

WARNING: *The RSUs and Shares do not constitute a public offering of securities under Hong Kong law and are available only to Employees. The Agreement, including this Appendix, the Plan and other incidental communication materials have not been prepared in*

accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by any regulatory authority in Hong Kong. The RSUs are intended only for the personal use of each Employee and may not be distributed to any other person. If the Employee is in any doubt about any of the contents of the Agreement, including this Appendix or the Plan, the Employee should obtain independent professional advice.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Sale of Shares. To facilitate compliance with securities laws in Hong Kong, in the event the Employee's RSUs vest and Shares are issued to the Employee within six months of the Date of Grant, the Employee agrees that he or she will not dispose of any Shares acquired prior to the six-month anniversary of the Date of Grant.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("**ORSO**"). Notwithstanding the foregoing, if the Plan is deemed to constitute an occupational retirement scheme for the purposes of ORSO, then the Employee's grant shall be void.

INDIA

Exchange Control Notification. The Holder understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan and any dividends received in relation to the Shares to India and convert the funds into local currency within 90 days of receipt. The Holder must obtain a foreign inward remittance certificate ("**FIRC**") from the bank where the Holder deposits the foreign currency and maintains the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Company requests proof of repatriation. **It is your responsibility to comply with applicable exchange control laws in India.**

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

IRELAND

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Exclusion from Termination Indemnities and Other Benefits. This provision supplements Section 8 of the Agreement:

By accepting the RSUs, the Holder acknowledges, understands, and agrees that the benefits received under the Plan will not be taken into account for any redundancy or unfair dismissal claim.

Director Notification. If the Holder is a director, shadow director or secretary of an Irish subsidiary of the Company, the Holder is subject to certain notification requirements under Section 53 of the Companies Act, 1990. Among these requirements is an obligation to notify the Irish affiliate in writing within five (5) business days when the Holder receives an interest (e.g., RSUs, Shares) in the Company and the number and class of shares or rights to which the interest relates. In addition, the Holder must notify the Irish subsidiary within five (5) business days when the Holder sells Shares acquired under the Plan. This notification requirement also applies to any rights or Shares acquired by the Holder's spouse or children (under the age of 18).

ISRAEL

Securities Law Notice. This RSU Award is granted pursuant to an exemption issued by the Israeli Securities Authority under Section 15D of the Securities Law of 1968. The grant of this RSU Award and the issuance of its underlying shares are registered with the U.S. Securities and Exchange Commission on Form S-8. The Company will make available to any interested Israeli offeree, at his or her workplace, the Form S-8 and all documents attached to the Form S-8, including any document directly or indirectly referred to in the Form S-8 or in its exhibits. To request any such documents, please contact stockadmin@cypress.com.

Sub-Plan and Tax-Based Restrictions. If on the Date of Grant, the Holder is an employee of the Company's subsidiary in Israel, Cypress Semiconductors Ltd., then this Award is granted under and subject to the terms of the Spansion Inc. 2010 Equity Incentive Agreement Plan Sub-Plan – Israel (the "**Israeli Sub-Plan**") and the Holder acknowledges and agrees to the following: This Agreement is granted under and governed by the Plan, the Israeli Sub-Plan, Section 102(b)(2) of the Israeli Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith ("**Section 102**"), and the trust agreement (the "**Trust Agreement**") between the Company and the Trustee (as defined in the Israeli Sub-Plan).

- The proceeds of any shares of Common Stock issued upon vesting of the RSUs will be remitted by the Company or its designated broker to the Trustee to administer on Holder's behalf, pursuant to the terms of Section 102 and the Trust Agreement.

- Holder is familiar with the terms and provisions of Section 102, particularly the Capital Gains Track (as defined in the Israeli Sub-Plan) described in subsection (b)(2) thereof, and agrees that Holder will not release or sell (or require the Trustee to release or sell) the RSUs or underlying shares of Common Stock during the Restricted Holding Period (as defined in the Israeli Sub-Plan), unless permitted to do so by applicable law.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company, its affiliates and the Holder's employer will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan, including transfers outside of Israel and further transfers thereafter. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

ITALY

Data Privacy Notice and Consent.

This provision replaces the "Data Privacy" section of the Agreement.

Holder hereby explicitly and unambiguously consents to the collection, use, processing and transfer, in electronic or other form, of personal data as described in this section of Appendix A by and among, as applicable, the Company and any Subsidiary for the exclusive purpose of implementing, administering and managing Holder's participation in the Plan (and grants of awards made thereunder).

Holder understands that the Company and any Subsidiary may hold certain personal information about Holder, including but not limited to, Holder's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of the RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Holder's favor, for the exclusive purpose of managing and administering the Plan ("Personal Data").

Holder also understands that providing the Company with Personal Data is necessary for the performance of the Plan and that Holder's denial to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect Holder's ability to participate in the Plan. The Controller of Personal Data processing is Cypress Semiconductor Corporation, with its principal offices at 198 Champion Court, San Jose, California 95134, United States of America, and, pursuant to Legislative Decree no. 196/2003, its representative is Cypress Semiconductor GmbH (a subsidiary of Cypress Semiconductor Corporation) - Willy-Brandt-Allee 4, 81829 Munich, Germany.

Holder understands that Personal Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan (and grants of awards made thereunder). Holder further understands that the Company and/or a Subsidiary will transfer Personal Data amongst themselves as necessary for the purpose of implementation, administration and management of Holder's participation in the Plan (and grants of awards made thereunder), and that the Company and/or a Subsidiary may each further transfer Personal Data to third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder), including any requisite transfer of Personal Data to a broker or other third party with whom Holder may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer Personal Data in electronic or other form, for the purposes of implementing, administering and managing Holder's participation in the Plan (and grants of awards made thereunder). Holder understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Personal Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Holder understands that Personal Data processing related to the purposes specified above shall take place under automated or

non-automated conditions, anonymously when possible, that comply with the purposes for which Personal Data is collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Personal Data abroad, including outside of the European Economic Area as specified herein and pursuant to applicable laws and regulations, does not require Holder's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan (and grants of awards made thereunder). Holder understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Holder has the right to, including but not limited to, access, delete, update, correct or stop, for legitimate reason, the Personal Data processing. Furthermore, Holder is aware that Personal Data will not be used for direct marketing purposes. In addition, Personal Data provided can be reviewed and questions or complaints can be addressed by contacting Holder's human resources department.

Plan Document Acknowledgment. In accepting the RSU, the Holder acknowledges that a copy of the Plan was made available to the Holder and that the Holder has reviewed the Plan and the Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan, the Agreement and this Appendix.

The Holder further acknowledges that he or she has read and specifically and expressly approves the following provisions in the Agreement: Vesting Schedule and Vesting Conditions and Nature of Award, as well as the following provision in the Plan: Restricted Stock/Restricted Stock Units.

Additional Tax/Exchange Control Information. You are required to report in your annual tax return: (a) any transfers of cash or Common Stock to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including proceeds from the sale of Common Stock acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to taxable income in Italy; and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (a) above if the transfer or investment is made through an authorized broker resident in Italy.

JAPAN

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold the following personal information for the purpose of managing and administering the Plan ("Data"): the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor. From time to time, the Company may change the scope of its affiliates that hold, use or process Holder's personal information or the scope of Holder's personal information to be held, used or processed by the Company, its affiliates and the Holder's employer, by providing, or making easily accessible, information about such change to the Holder. The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, Japan or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

KOREA

Exchange Control Information. Korean residents who realize US\$500,000 or more from the sale of shares of Common Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MALAYSIA

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information from the Holder's records, including the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder) and will disclose certain Data to the Inland Revenue Board and other relevant authorities as required by law. These recipients may be located in the United States, the European Economic Area, Malaysia or elsewhere. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Data will be retained by the Company, its affiliates and the Holder's employer for the entire duration of the Holder's employment or service and for a further seven years after cessation of employment or service. The holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting Zaayah Kechik (or other authorized individual), at Sdn. Bhd. (613545-T), Phase II, Free Industrial Zone, Bayan Lepas, 11900 Penang, Malaysia; site phone no: +60 4 888 2000.

Disclosure of Data is obligatory for the implementation, administration and management of the Plan (and grants of awards made thereunder); however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

Director Notification. If the Holder is a director of a subsidiary or other related company in Malaysia, then the Holder is subject to certain notification requirements under the Malaysian Companies Act, 1965. Among these requirements is an obligation to notify the Malaysian subsidiary in writing when the Holder receives an interest (e.g., RSUs, Shares) in the Company or any related companies. In addition, the Holder must notify the Malaysian subsidiary when he or she sells Shares of the Company or any related company (including when the Holder sells Shares acquired under the Plan). These notifications must be made within 14 days of acquiring or disposing of any interest in the Company or any related company.

Securities Law Information. Malaysian insider-trading rules may impact the acquisition or disposal of Shares or rights to Shares under the Plan. Under such rules, the Holder is prohibited from acquiring Shares or rights to Shares (e.g., RSUs) or selling Shares when he or she possesses information that is not generally available and which the Holder knows or should know will have a material effect on the price of the Shares once such information is generally available. By accepting this grant, the Holder acknowledges that he or she is not in possession of any material, non-publicly disclosed information regarding the Company at the time of grant and will not acquire or sell Shares when in possession of any material, non-publicly disclosed information regarding the Company.

SINGAPORE

Securities Law Information. The RSUs were granted to the Holder pursuant to the "Qualifying Person" exemption under section 273(1) (f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Agreement and the Plan have not been lodged or registered as a prospectus with the Monetary Authority of Singapore. The Holder should note that the Holder's RSUs are subject to section 257 of the SFA and the Holder will not be able to make any subsequent sale in Singapore, or any offer of such subsequent sale of the Shares unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification. If the Holder is a director, associate director or shadow director of a subsidiary or other related company in Singapore, the Holder is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore subsidiary in writing when the Holder receives an interest (e.g., RSUs, Shares) in the Company or any related company. In addition, the Holder must notify the Singapore subsidiary when the Holder sells Shares of the Company or any related company (including when the Holder sells Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be made of the Holder's interests in the Company or any related company within two business days of becoming a director.

Insider Trading Notification. You should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to shares of Common Stock under the Plan. Under the Singapore insider trading rules, you are prohibited from acquiring or selling shares of Common Stock or rights to shares of Common Stock (e.g., RSUs under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Common Stock once such information is generally available.

SWEDEN

No country-specific Agreement terms apply.

TAIWAN

Exchange Control Information. You may remit foreign currency (including proceeds from the sale of Common Stock) into or out of Taiwan up to US\$5,000,000 per year without special permission. If the transaction amount is TWD500,000 or more in a single transaction, you must submit a *Foreign Exchange Transaction Form* to the remitting bank and provide supporting documentation to the satisfaction of the remitting bank.

THAILAND

No country-specific Agreement terms apply.

THE NETHERLANDS

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information, including the Holder's name, home address and telephone number, date of birth, citizen service number (*burgerservicenummer*) (former social security number) or other Holder tax identification number (insofar as allowed), salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). The Company and its affiliates will transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan (and grants of awards made thereunder). Currently, the third parties are E*Trade Financial Corporate Services, Inc., 4005 Windward Plaza Drive, Alpharetta, GA 30005., however the Company may retain additional or different third parties for any of the purposes mentioned. These recipients may be located in the United States, the European Economic Area, or elsewhere. Countries outside the European Economic Area do not provide for a similar level of data protection as within the European Economic Area pursuant to the European Data Protection Directive 95/46/EC. The Holder hereby authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder), including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement. The holder understands that he or she may request a list of the names and addresses of the third party recipients of Data by contacting the Company through its local H.R. Representative at Cypress Semiconductor GmbH, Attn: Human Resources, Willy-Brandt-Allee 4, 81829 Munich, Germany.

UNITED KINGDOM

Eligible Individual. For the purpose of RSUs awarded in the UK, Consultants and Outside Directors are not eligible to receive awards.

Tax Withholding.

The following is added to the "Responsibility for Taxes" section of the Agreement.

The Holder will be liable for and agrees to indemnify and keep indemnified the Company, any subsidiary and his/her employing company, if different, from and against any liability for or obligation to pay any Tax Liability (a "Tax Liability" being any liability for income tax, Holder's National Insurance contributions and employer's National Insurance Contributions) that is attributable to (i) the grant or vesting of, or any benefit derived by the Holder from, the RSUs, (ii) the acquisition by the Holder of the Common Stock on the settlement of the RSUs, or (iii) the disposal of any Common Stock.

The RSUs will not vest until the Holder has made such arrangements as the Company may require for the satisfaction of any Tax Liability that may arise in connection with the vesting or settlement of the RSUs and/or the acquisition of the Common Stock by the Holder. The Company shall not be required to issue, allot or transfer Common Stock until the Holder has satisfied this obligation.

No Right to Continued Employment.

This provision supplements the "Nature of Award" section of the Agreement.

Neither the RSUs nor this Agreement:

- (i) confers upon the Holder any right to continue to be an Employee or Consultant of the Company or any of its subsidiaries or interferes in any way with the right of the Company or any of its subsidiaries to terminate the Holder's employment at any time; or
- (ii) forms part of the Holder's entitlement to remuneration and benefits in terms of his/her employment, or affects the Holder's terms and conditions of employment.

Data Privacy.

This provision replaces the "Data Privacy" section of the Agreement.

By acceptance of this Agreement, the Holder acknowledges and consents to the collection, use, processing and transfer of personal data as described below. The Company, its affiliates and the Holder's employer hold certain personal information (including sensitive personal information) such as the Holder's name, home address and telephone number, date of birth, social security number or other Holder tax identification number, salary, nationality, job title, and information regarding equity compensation grants or Common Stock awarded, cancelled, purchased, vested, unvested or outstanding in the Holder's favor, for the purpose of managing and administering the Plan ("Data"). By participating in the Plan, the Holder agrees that the Company, its affiliates and the Holder's employer may hold and process such Data, and may transfer Data to any third parties assisting the Company or its affiliates in the implementation, administration and management of the Plan (and grants of awards made thereunder). These recipients may be located in the United States, the European Economic Area, or elsewhere. The Holder hereby authorizes them to receive, possess, process, use, hold, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan (and grants of awards made thereunder) and in the course of the Company's business, including any requisite transfer of such Data as may be required for the administration of the Plan (and grants of awards made thereunder) on behalf of the Holder to a third party with whom the Holder may have elected to have payment made pursuant to the Plan. The Holder may, at any time, review Data, require any necessary amendments to it or withdraw the consent herein in writing by contacting the Company; however, withdrawing the consent may affect the Holder's ability to participate in the Plan and receive the benefits intended by this Agreement.

Manner of Payment. This provision supplements Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, the Award will be settled in Shares. In no event will the Award be settled in the form of cash.

Joint Election. As a condition of the grant of RSUs, the Holder agrees to accept any liability for secondary Class 1 National Insurance contributions (the "Employer NICs") which may be payable by the Company or the Employer with respect to the vesting of the RSUs or otherwise payable with respect to a benefit derived in connection with the RSUs.

Without limitation to the foregoing, if requested by the Company, the Holder agrees to execute a joint election between the Company and/or the Employer and Holder (the "Joint Election"), the form of such Joint Election being formally approved by Her Majesty's Revenue & Customs ("HMRC"), and any other consent or election required to accomplish the transfer of the Employer NICs to the Holder. The Holder further agrees to execute such other joint elections as may be required between the Holder and any successor to the Company and/or the Employer. If the Holder does not enter into a Joint Election in response to a Company request, no Shares shall be issued to the Holder (and neither the Company nor the Employer shall have any liability with respect to such non-issuance of shares). The Holder further agrees that the Company and/or the Employer may collect the Employer NICs from the Holder by any means.

If the Holder has signed a Joint Election in the past with respect to an RSU award granted to him or her by the Company and that Joint Election applies to all grants made under the Plan, the Holder need not sign another Joint Election in connection with this RSU grant.

Responsibility for Taxes. This provision supplements the Agreement:

You agree that, if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe at vesting and settlement of the RSUs, or the release or assignment of the RSUs for consideration, or the receipt of any other benefit in connection with the RSUs (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares of Common Stock issued upon vesting of your RSUs or from the cash proceeds from the sale of shares of Common Stock or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any shares of Common Stock unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are such a director or executive officer and the income tax that is due is not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to the HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any

Holder national insurance contributions due on this additional benefit.

**CYPRESS NON-QUALIFIED
DEFERRED COMPENSATION PLAN I**

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CYPRESS NON-QUALIFIED DEFERRED COMPENSATION PLAN I

The Cypress Semiconductor Corporation Nonqualified Deferred Compensation Plan, originally effective as of September 1, 1995, and thereafter amended, was further amended and restated in its entirety by Cypress Semiconductor Corporation (the “Company”), effective as of January 1, 2002 on behalf of itself and any designated subsidiaries and was renamed the Cypress Non-Qualified Deferred Compensation Plan II (“Plan II”). Also on January 1, 2002, the Cypress Non-Qualified Deferred Compensation Plan I (“Plan I” or “Plan”) was adopted by the Company. Plan I is similar to Plan II except that (i) the phantom investments are different than those available under Plan II, and (ii) beneficiaries of Plan I participants who die in certain situations will receive a supplemental survivor benefit. Plan I and Plan II were amended effective April 1, 2004 to permit outside directors who are also consultants to participate in the Plans. Plan I and Plan II were frozen to new deferrals as of December 31, 2004 so as to qualify these prior plans for “grandfather” treatment under Internal Revenue Code Section 409A and were renamed Pre-2005 Plan I and Pre-2005 Plan II.

To comply with Internal Revenue Code Section 409A, the Company established Plan I and Plan II, covering deferrals made on and after January 1, 2005. Plan I is similar to Plan II except that (i) the phantom investments are different than those available under Plan II, and (ii) beneficiaries of Plan I participants who die in certain situations will receive a supplemental survivor benefit.

- Plan I and Plan II were amended effective June 15, 2005 to allow the Committee, in its discretion, to permit Participants to cancel or reduce Deferral Elections in 2005 with respect to amounts deferred (or to be deferred) on or after January 1, 2005 through December 31, 2005.
- Plans I and II were further amended effective January 1, 2006 to clarify that the definition of Compensation excludes any severance payments.
- Plans I and II were further amended in December, 2008 to comply with the final Treasury Regulations under Internal Revenue Code Section 409A.
- Plans I and II were further amended in January, 2009 to make clear that Cypress phantom stock is a permitted phantom investment.
- Plans I and II were further amended effective January 1, 2016 to update plan eligibility. Plan I was also amended to freeze the supplemental survivor benefit to two times the total amount deferred into Plan I through December 31, 2015.
- Plan I was further amended on June 30, 2017 to exclude Cypress phantom stock as a permitted phantom investment.
- Effective January 1, 2018, Plan I and Plan II were then amended to designate eligibility for participation in the plans as Non-Sales employees with an annual salary equal to or greater than \$200,000, or Sales employees with a total cash target

greater than or equal to \$200,000, as well as any other employee or category of employee that is approved by the CEO as eligible to participate in Plan I, and (iii) non-employee members of the Board of Directors who are also paid consultants to the Company. Plan I and Plan II were also amended to allow a maximum deferral of 90% of an employee's quarterly bonus amount.

Throughout, the term "Company" shall include wherever relevant any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, or any subsidiary of the Company, as determined by the Company.

The purpose of Plan I is to provide supplemental retirement income and to permit eligible Participants the option to defer receipt of compensation, pursuant to the terms of the Plan. Plan I is intended to be an unfunded deferred compensation plan maintained for the benefit of a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and is intended to comply with Section 409A of the Internal Revenue Code. Participants shall have the status of unsecured creditors of the Company with respect to the payment of Plan benefits.

RECITALS:

1. The Company maintains Plan I for the benefit of a select group of management or highly compensated employees designated by the Company.
2. Under Plan I, the Company is obligated to pay vested accrued benefits, and in certain circumstances, a supplemental survivor benefit, to Plan I Participants and their beneficiary or beneficiaries ("Plan I Beneficiaries") from the Company's general assets.
3. The Company has entered into an agreement (the "Trust Agreement") with American Stock Transfer and Trust Company (the "Trustees") under an irrevocable trust (the "Trust") to be used in connection with Plan I.
4. The Company intends to make contributions to the Trust so that such contributions will be held by the Trustees and invested, reinvested and distributed, all in accordance with the provisions of this Plan I and the Trust Agreement.
5. The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.
6. The Company intends that the existence of the Trust shall not alter the characterization of Plan I as "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall not be construed to provide income to Plan I Beneficiaries prior to actual payment of the vested accrued benefits thereunder.

NOW THEREFORE, the Company does hereby establish Plan I as follows and does also hereby agree that Plan I shall be structured, held and disposed of as follows:

ARTICLE I

PLAN I ADMINISTRATION

The Deferred Compensation Committee of the Company (the “Committee”) administers Plan I. Subject to the specific duties delegated by the Compensation Committee, the Committee shall be responsible for the general administration and interpretation of Plan I and for carrying out its provisions. The Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties:

- (1) discretionary authority to construe and interpret the terms of Plan I, and to determine eligibility and the amount, manner and time of payment of any benefits hereunder;
- (2) to prescribe forms and procedures for purposes of Plan I participation and distribution of benefits;
- (3) to direct the Trustees as to the distribution of Plan I assets; and
- (4) to take such other action as may be necessary and appropriate for the proper administration of Plan I.

The Committee may adopt such rules, regulations and bylaws and may make such decisions as it deems necessary or desirable for the proper administration of Plan I. Any rule or decision that is not inconsistent with the provisions of Plan I shall be conclusive and binding upon all persons affected by it, and there shall be no appeal from any ruling by the Committee that is within its authority, except as otherwise provided herein. The Committee shall have the power to (i) identify investment choices for the Trust; and (ii) appoint or employ agents, recordkeepers and advisors to assist the Committee in discharging its duties under Plan I.

ARTICLE II

ELIGIBILITY, PARTICIPATION, AND BENEFICIARY DESIGNATION

Eligible Participants

The following categories of service providers (“Eligible Participants”) shall be eligible to participate in Plan I: (i) Non-Sales employees with an annual salary equal to or greater than \$200,000, or Sales employees with a total cash target greater than or equal to \$200,000, (ii) any other employee or category of employee that is approved by the CEO as eligible to participate in Plan I, and (iii) non-employee members of the Board of Directors who are also paid consultants to the Company. The Committee reserves the right to modify the definition of Eligible Participant at any time with the approval of the CEO. Any Eligible Participant who has commenced participation in Plan I shall be referred to in this Plan I as a “Participant.”

Participation

Each Eligible Participant may elect to commence participation in Plan I by completing a Cypress Non-Qualified Deferred Compensation Plan I participation agreement and Deferral Election

no later than the last day of his or her Election Period. For purposes of the foregoing, an Eligible Participant's Election Period shall be defined as: (i) for newly Eligible Participants who are eligible for the first time, the thirty (30) day period measured from the date upon which the Eligible Participant becomes eligible to participate in Plan I and any other non-qualified deferred Compensation plans required to be aggregated with Plan I under Section 409A; and (ii) for all other Eligible Participants (including Eligible Participants who formerly were Eligible Participants), no later than the due date for the irrevocable enrollment forms during the annual Open Enrollment period which is generally from December 1st to December 31st of each year (the "Annual Open Enrollment Period") prior to the beginning of the Plan Year for which the election is effective (the calendar year is the "Plan Year"). Elections shall remain in effect for successive Plan years unless modified or revoked (with respect to future Plan Years only) in a subsequent annual Open Enrollment period.

Beneficiary Designation Each Participant, prior to entering Plan I, may designate a beneficiary or beneficiaries to receive the remainder of any interest of the Participant and any supplemental survivor benefit under Plan I in the event of the Participant's death. A Participant may change his or her beneficiary designation at any time by submitting a complete and approved form of beneficiary designation (including dated spousal consent, if required pursuant to the beneficiary designation form) to the Committee (or its designee). Each beneficiary designation shall be in a form prescribed by the Committee and will be effective only when filed with the Committee (or its designee) during the Participant's lifetime. Each beneficiary designation filed with the Committee will cancel all previously filed beneficiary designations. In the absence of a valid designation, or if no designated beneficiary survives the Participant, the Participant's interest shall be distributed to the Participant's estate.

ARTICLE III

PLAN I CONTRIBUTIONS AND ALLOCATIONS

Participant Deferrals. Each Participant participating in Plan I shall, no later than the end of the applicable Enrollment Period, execute a participation agreement and Deferral Election authorizing the Company to withhold a percentage amount of the Participant's Compensation which would otherwise be paid to the Participant with respect to services rendered. Compensation under Plan I is defined as annual base salary (or, for non-employee directors, cash consulting fees, including Cypress Incentive Plan (CIP) or Manufacturing Incentive Plan (MIP) bonuses), cash bonuses (including CIP or MIP bonuses, new product bonuses and any other cash bonuses), and any cash Sales Commissions payable to the Participant in connection with the Participant's services to the Company; provided however, that Compensation does not include severance payments ("Compensation"). The Committee may, in its discretion, establish in the Deferral Election minimum and maximum levels of Compensation that may be deferred pursuant to Plan I. Effective January 1, 2018, the maximum deferral for quarterly bonus payments is 90%. Compensation deferrals made by a Participant under this Plan I shall be held as an asset of the Company and the Company intends to deposit the amounts deferred into the Trust.

Sales Commissions and Bonuses Payable in a Subsequent Year. If cash bonuses (including new product bonuses and any other cash bonuses) or cash Sales Commissions are earned in one calendar year and would normally be paid in the first quarter of the ensuing calendar year, they shall be deferred and distributed based upon the election made by the Participant in the Open Enrollment period in the year prior to the year in which it was earned. For newly Eligible Participants, any such cash bonus or Sales Commission shall be deferred and distributed based upon their initial election made with respect to the year in which it was earned; provided, however, that such election may apply to no more than the total amount of such Compensation multiplied by the ratio of the number of days remaining in the applicable performance period after such election becomes irrevocable over the total number of days in the applicable performance period.

Year-End Cross-Over Payroll Periods. Pay days relating to periods of service that cross over the calendar year-end shall be covered by the Participant's Deferral Election in effect for the later year, consistently with the default rules under Treasury Regulation §1.409A-2(a)(13).

Election Changes

A Participant may, in such form and at such time or times as the Committee may prescribe, discontinue or modify the deferral of his or her Compensation with respect to Plan Years that have not yet commenced. The Committee has the power to establish uniform and nondiscriminatory rules and from time to time to modify or change such rules governing the manner and method by which Compensation Deferral Elections shall be made, as well as the manner and method by which Compensation Deferral Elections with respect to Plan Years that have not yet commenced may be changed or discontinued temporarily or permanently. All Compensation deferral contributions shall be authorized by the Participant in writing or electronically, made by payroll deduction, deducted from the Participant's Compensation without reduction for any taxes or withholding (except to the extent required by law or regulation) and paid over to the Trust by the Company. Notwithstanding the foregoing, each Participant shall remain liable for any and all employment taxes owing with respect to such Participant's Compensation deferral contributions.

Limitation on Deferral Changes. The dollar amount of any Plan deferrals shall not be reduced or increased during any Plan Year by virtue of any Participant election to increase, decrease or terminate his or her rate of deferral in any other employee benefit plan, including the Company's Employee Stock Purchase Plan, except as permitted by Code Section 409A with respect to changes in Deferral Elections under the Company's 401(k) Employee Savings Plan and Code Section 125 flexible benefits plan (or as otherwise permitted under Code Section 409A).

Cessation of Eligible Status. In the event a Participant ceases to be an Eligible Participant while also a participant in Plan I, if such individual has not undergone a Separation From Service, he or she must continue to make Compensation deferral contributions under Plan I through the end of the Plan Year in which the individual ceases to be an Eligible Participant. Thereafter, such individual shall not make any further Compensation deferral contributions to Plan I unless or until he or she again meets the eligibility requirements of Article II above.

Company Discretionary Contributions. The Company may, in its sole discretion, make discretionary contributions to the accounts of one or more Participants at such times and in such

amounts as the Board of the Company shall determine, subject to such vesting and distribution conditions and limitations as the Company, in its sole discretion, shall impose. To the extent such Company contributions do not vest, corresponding debits will be made to a Participant's Account, including any earnings on such forfeited amounts.

Allocations. The Compensation deferral contributions and any Company contributions made under Plan I on behalf of a Participant shall be credited to the Participant's Account. The Committee shall establish and maintain separate subaccounts as it determines to be necessary and appropriate for the proper administration of Plan I. The Committee may cause the Trustees to maintain and invest separate asset accounts corresponding to each Participant account. Each Participant Account consists of the aggregate interest of the Participant under Plan I (and in the Trust), as reflected in the records maintained by the Company for such purposes.

Plan to Plan Transfers. Subject to the Committee's discretion, Participants shall be allowed to elect to transfer their deemed investment accounts from Plan II to Plan I or from Plan I to Plan II, subject to such limitations and reallocation requirements as the Committee, in its sole discretion, determines to be appropriate; provided, however, that any such plan to plan transfers shall not change the time and method of distribution of the amounts transferred. The plan to plan transfers shall be effective as of the date specified by the Committee.

Cancellation of Elections Due to 401(k) Hardship Withdrawal, Unforeseeable Emergency Distribution, or Disability

(1) 401(k) Hardship Withdrawal. A Participant's Deferral Election shall be automatically cancelled in the event the Participant obtains a hardship distribution from the Company's 401(k) Plan pursuant to Treasury Regulation §1.401(k)-1(d)(3). The Participant, if still an Eligible Participant, may re-enroll in Plan I during the next Open Enrollment period.

(2) Unforeseeable Emergency Distribution. A Participant's Deferral Election shall be automatically cancelled in the event the Participant obtains an unforeseeable emergency distribution from Plan I or Plan II. The Participant, if still an Eligible Participant, may re-enroll in Plan I during the next Open Enrollment period.

ARTICLE IV

VESTING

A. Compensation Deferral Contributions. The value of a Participant's Account attributable to Participants' Compensation deferral contributions shall always be fully vested and nonforfeitable.

B. Company Contributions

The value of a Participant's Account attributable to any Company contributions pursuant to Article III.D shall vest at such time or times as the Committee may specify in connection with any such contributions. In the absence of Committee specification, a Participant's interest in Company contributions shall be fully vested and nonforfeitable. Upon a Participant's Separation From Service for any reason, any portion of the Participant's Account that is not then vested (including allocable

earnings, as determined by the Committee), shall be forfeited. Unless otherwise determined by the Board or the Committee, forfeitures shall be used to satisfy the Company's obligation to remit contributions to the Trust under Plan I.

ARTICLE V

GENERAL DUTIES

Committee Duties. The Committee will provide the Trustees with a copy of any future amendment to this Plan I promptly upon its adoption. The Committee may from time to time hire outside consultants, accountants, actuaries, legal counsel or recordkeepers to perform such tasks as the Committee may from time to time determine.

Trustees' Duties. The Trustees shall invest and reinvest the Trust as provided in the Trust Agreement. The Trustees shall collect the income on the Trust, and make distributions therefrom, as provided in this Plan I and in the Trust Agreement.

Company Contributions. While Plan I remains in effect, and prior to a Change of Control Event, the Company shall make contributions to the Trust at least once each quarter. The amount of any quarterly contributions shall be at the discretion of the Company. At the close of each calendar year, the Company shall make an additional contribution to the Trust to the extent that previous contributions to the Trust for the current calendar year are not equal to the total of the Compensation deferrals made by each Participant plus Company discretionary contributions, if any, accrued, as of the close of the current calendar year. The Trustees shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under Plan I in full in accordance with the terms of Plan I.

Department of Labor Determination. In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Committee will take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

ARTICLE VI

PARTICIPANTS' ACCOUNTS

Separate Accounts. The Committee shall open and maintain a separate Account for each Participant. Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to this Plan I.

Timing of Account Credit. Amounts deferred under Plan I shall be credited to a Participant's Account within five business days following the date upon which such amounts would otherwise have been paid to the Participant.

Statement of Accounts. As soon as practicable after the end of each calendar year the Committee shall furnish to each Participant a statement of Account, determined as of the end of such calendar year. Upon the discovery of any error or miscalculation in an Account, the Committee shall correct it, to the extent correction is practically feasible and permissible under Code Section 409A; provided, however, that any such statement of Account shall be

considered to reflect accurately the status of the Participant's Account for all purposes under Plan I unless the Participant reports a discrepancy to the Committee within six (6) months after receipt of the statement. The Committee shall have no obligation to make adjustments to a Participant's Account for any discrepancy reported to the Committee more than six (6) months after receipt of the statement, or for a discrepancy caused by the Participant's error. Statements to Participants are for reporting purposes only, and no allocation, valuation or statement shall vest any right or title in any part of the Trust, nor require any segregation of Trust assets, except as is specifically provided in this Plan I.

Distribution of Accounts. Payment to a Participant shall be based on the value of the vested portion of the Participant's Account as of the Valuation Date immediately preceding the date of distribution plus any contribution subsequently credited to such Account and less any distributions subsequently made from the Account.

ARTICLE VII

PAYMENTS TO A PLAN I PARTICIPANT OR BENEFICIARY

A. General. Payments of vested accrued benefits to Plan I Beneficiaries from the Trust shall generally be made in accordance with the distribution event specified by the Participant in the Deferral Election between the Company and the Participant (the "Distribution Event"). Except as otherwise expressly provided in the Participant's Deferral Election and as set forth in Article VII below, no distribution shall be made or commenced prior to the time and manner as set forth in the Participant's Deferral Election.

B. Installment Payments Treated as Single Payments. All installment payments under the Plan are considered a single payment for purposes of complying with Code Section 409A.

C. Earliest Distributions.

(i) Regular Participants. Except as permitted by the Plan and Code Section 409A in connection with a Change of Control Event, a Corporate Dissolution, pursuant to a Bankruptcy Court Approval, a conflicts of interest or ethics rules distribution under Article 7.T., a FICA and related income tax distribution under Article 7.U., a state, local or foreign tax distribution under Article 7.V., or a Code Section 409A Distribution under Article 7.W., in no event may the account of a Participant who is not a Specified Employee be distributed earlier than (i) the Participant's Separation From Service, (ii) the Participant's Disability, (iii) the Participant's death, (iv) a specified time under Article 7.J. hereunder, (v) a Change of Control Event, (vi) the occurrence of an Unforeseeable Emergency, or (vii) to an individual other than the Participant pursuant to a Domestic Relations Order.

(ii) Specified Employee Participants. Except as permitted by the Plan and Code Section 409A in connection with a Change of Control Event, a Corporate Dissolution, pursuant to a Bankruptcy Court Approval, a conflicts of interest or ethics rules distribution under Article 7.T., a FICA and related income tax distribution under Article 7.U., a state, local or foreign tax distribution under Article 7.V., or a Code Section 409A Distribution under Article 7.W., in no event may a Specified Employee's account be distributed earlier than (i) six (6) months following the Specified

Employee's Separation From Service (or if earlier, the Specified Employee's death), (ii) six (6) months following the Specified Employee's Disability, (iii) the Specified Employee's death, (iv) a specified time under Article 7.J. hereunder, (v) a Change of Control Event, (vi) the occurrence of an Unforeseeable Emergency, or (vii) to an individual other than the Participant pursuant to a Domestic Relations Order. In the event a Specified Employee's Plan distributions are delayed due to the six-month delay requirement, the amounts otherwise payable to the Specified Employee during such period of delay shall be paid on a date that is at least six months and one day following Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends (or, if earlier, upon the death of the Specified Employee). The Participant's other scheduled distributions, if any, shall not be affected by the period of delay.

D. Small Account Lump-Sum Distribution. If, on the date of a Participant's Separation From Service, their Accounts under Pre-2005 Plan I, Pre-2005 Plan II, Plan I, Plan II and any other non-qualified deferred Compensation plans required to be aggregated with such plans pursuant to Treasury Regulation §1.409A-1(c)(2) total, in the aggregate, less than the then applicable limit under Internal Revenue Code Section 402(g)(1)(B) (e.g., \$18,000 in 2017, then all Accounts under all such plans, including Participant's Account under this Plan I, shall be distributed in a lump-sum in the month following such Participant's Separation From Service, or, if the Participant is a Specified Employee, in the seventh month following such Participant's Separation From Service; provided, however, that in the event such Accounts increase in value so that their aggregate value exceeds the then applicable limit under Internal Revenue Code Section 402(g)(1)(B) on the scheduled payment date, such Accounts shall instead be paid in accordance with the Plan and the Participant's Deferral Elections.

E. Upon Retirement – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, if a Participant has a Separation From Service pursuant to Participant’s retirement at age 55 or greater but with at least ten full years of continuous employment, or for outside director Participants, age 55 or greater and ten full years of continuous service as a Board member (either case shall be referred to in this Plan I as “Retirement”), then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election(s) a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of annual payments, each such payment equal to $1/n$ of the Participant’s vested accrued benefit where n is the number of installments remaining to be paid, (an “Annual Payment”); provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the three permitted methods in accordance with such Deferral Elections.

F. Upon Death – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, if a Participant dies, then the Participant’s beneficiary will receive their remaining Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant’s Deferral Election; provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the two permitted methods in accordance with such Deferral Elections.

Non-Retirement Separations From Service – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, in the event a Participant has a Separation From Service that does not qualify as a Retirement, then his or her Account balance shall be distributed in a lump-sum within 60 days following such Separation From Service.

All Separations From Service and Death – Plan Year 2009 and Later Deferrals. With respect to amounts deferred in Plan Years 2009 and later, if a Participant dies or undergoes any Separation From Service, then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election(s) a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of Annual Payments; provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the three permitted methods in accordance with such Deferral Elections.

Scheduled In-Service Distribution. A Participant may elect, as provided in his or her Participant Deferral Election, to receive one or more scheduled in-service (i.e., prior to a Separation From Service) distributions from their Account balance without an early withdrawal penalty. Any such distributions must be at least two full Plan Years following the date of the Participant’s Deferral Election. Each scheduled in-service distribution may be postponed (but only once) in accordance with Article 7.O. If a Participant specifies that a dollar amount will be distributed and the Account balance is less than the dollar amount, then the entire Account will be distributed. A Participant may neither

increase nor decrease the amount or percentage specified for an in-service distribution once their initial election is made. In the event a Participant undergoes a Separation From Service prior to a scheduled in-service distribution, the in-service distribution election shall be without further force and effect and the applicable Separation From Service distribution provisions of Plan I and the Participant's Deferral Election shall control.

Supplemental Survivor Benefit. If a Participant dies prior to undergoing a Separation From Service, then, in addition to the Account distributions relating to his or her Deferral Elections, his or her beneficiary shall receive a taxable survivor benefit equal to two times the total amount deferred into Plan I through December 31, 2015, including certain amounts deferred under Plan II that were transferred to Plan I (as described below), and excluding certain distributions (as described below) and amounts transferred from Plan I to Plan II, up to a maximum benefit of three million dollars (\$3,000,000), including any supplemental survivor benefit under Pre-2005 Plan I governing deferrals prior to January 1, 2005. For the purpose of determining the amount of the supplemental survivor benefit, earnings or losses on deferrals are not included. Any Plan I distributions prior to death and any Plan I to Plan II transfers not subsequently re-transferred back to Plan I shall reduce the Plan I deferral balance by a pro rata amount, calculated as of the distribution Valuation Date. Any Plan II transfers to Plan I shall carry a pro rata credit for Plan II deferrals. With respect to Plan II to Plan I transfers that result in a supplemental survivor benefit payout (except for Plan II to Plan I transfers of amounts originally deferred to Plan I and subsequently transferred to Plan II), such supplemental survivor payout will be made simultaneously with the last payout scheduled to be made pursuant to the Deferral Elections in force with respect to the amount transferred from Plan II to Plan I. Otherwise, the supplemental survivor benefit will be paid out in a full lump-sum payment in the year in which the Participant dies, except if the Participant dies in December, in which case the supplemental survivor benefit will be paid in the following calendar year.

Example I: Participant A defers \$1,750,000 to Plan I. This appreciates to \$2,000,000. Participant A then dies prior to a Separation From Service. Because the Supplemental Survivor Benefit is capped at \$3,000,000, her beneficiary receives a \$3,000,000 Supplemental Survivor Benefit.

Example II: Participant A defers \$100,000 into Plan II. This appreciates to \$130,000, at which time it is transferred to Plan I. Participant A then defers \$25,000 into Plan I. Subsequently, Participant A's Plan I total account value declines to \$80,000 based upon her phantom investments diminishing in value. Participant A dies while on a Company-approved leave of absence that is not a Separation From Service. Due to Participant A's \$100,000 Plan II transfer deferral credit, and her \$25,000 deferral credit under Plan I, her beneficiary receives a \$250,000 Supplemental Survivor Benefit.

Example III: Participant A defers \$100,000 into Plan II. This depreciates to \$65,000, at which time it is transferred to Plan I. Participant A then defers \$25,000 into Plan I. Subsequently, Participant A's Plan I total account value declines to \$40,000 based upon her phantom investments diminishing in value. Participant dies while on a Company-approved leave of absence that is not a

Separation From Service. Due to Participant A's \$100,000 Plan II transfer deferral credit, and her \$25,000 deferral credit under Plan I, her beneficiary receives a \$250,000 Supplemental Survivor Benefit.

Example IV: Participant B has deferred \$150,000 into Plan II. The Plan II account appreciates to \$250,000, at which time \$125,000 is transferred to Plan I. Participant B thereafter defers \$30,000 to Plan I. The Plan I account subsequently appreciates to \$235,000, at which time Participant B receives a scheduled \$110,000 in-service distribution from Plan I. Subsequently Participant B's Plan I account appreciates to \$150,000, at which time Participant B dies prior to any Separation From Service.

- The Plan II transfer deferral credit equals \$75,000, because the total deferrals under Plan II at the time of distribution were \$150,000, and because the transfer of 50% of the Plan II balance results in a pro rata 50% transfer of the Plan II deferral credit.
- The Total Plan I deferrals equal \$30,000.
- At the time of the distribution, the total Plan I deferral credit is \$105,000 = Plan II transfer credit of \$75,000 plus Plan I deferrals of \$30,000.
- The \$110,000 Plan I distribution results in a pro rata reduction in the Plan I deferral credit. The \$110,000 distribution is divided by the then Total Plan I account value of \$235,000 resulting in .468. Because distributions result in a pro rata reduction of deferral credit, .468 is multiplied by the total Plan I deferral credit of \$105,000 = \$49,140. This amount is reduced from the Total Plan I deferral credit (\$105,000 - \$49,140) resulting in a post-distribution Total Plan I deferral credit of \$55,860.
- Upon Participant B's death, his beneficiary receives a Supplemental Survivor Benefit equal to $2 \times \$55,860 = \$111,720$.

Example V: Participant C defers \$1,400,000 to Plan I. Participant C has a Separation From Service. Shortly thereafter, Participant C dies. Because on her date of death Participant C had already undergone a Separation From Service, her beneficiary does not receive a Supplemental Survivor Benefit.

Example VI: In 2009, Participant D defers \$100,000 to Plan II and elects to receive payments upon death in five annual installments. In 2010, Participant D defers \$50,000 to Plan II and elects to receive payments upon death in ten annual installments. The Plan II account remains at a value of \$150,000. In 2011, Participant transfers the entire \$150,000 Plan II account to Plan I. In 2012, Participant D dies prior to his Separation From Service, earning a \$300,000 Supplemental Survivor Benefit. The 2009 deferrals, including earnings and losses, are paid out ratably over five years. The 2010 deferrals, including earnings and losses, are paid out ratably over ten years. Because it results from a Plan II to Plan I transfer, the Supplemental Survivor Benefit of \$300,000 (it is not subject to earnings or losses or interest) is paid out simultaneously with the tenth installment of the 2010 deferrals.

G. Method of Distribution. Except as specified otherwise in this Article 7, payment to any Plan I Beneficiary shall be made (i) in accordance with the Deferral Election executed by the Participant, (ii) in cash, (iii) in a lump-sum, or (iv) in annual payments.

H. Lump-Sum Distribution Timing. For Participants receiving a lump-sum distribution (other than a small account lump-sum distribution under Article 7.D. hereof, which shall be paid in accordance with that subsection) the value of their Account (or portion thereof specified in the Participant's election) shall be paid in a lump-sum cash payment no later than the end of the year in which their Separation From Service occurs (or if their Separation From Service occurs in December of any year, no earlier than January 1 of the following year and no later than December 31 of such following year), or, for Specified Employees (or their estates or beneficiaries), at least six months and one day after the date upon which they incur a Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends or, if earlier, upon their death.

I. Installment Distribution Timing. Installment payments shall commence no later than the end of the year following the triggering distribution event (except if the triggering event is a Separation From Service or death occurring in December, in which case the payments shall commence in the following year), or, for Specified Employees undergoing a Separation From Service triggering event, as soon as is practicable at least six months and one day after the date upon which they incur a Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends. However, in no event may installment payments be made over a period exceeding fourteen years following the first installment, even if the payments are postponed pursuant to an election made under Article 7.O. hereof.

J. Subsequent Election to Delay or Change Form of Payment.

(1) A Participant's election to receive a retirement, Disability or in-service distribution may be delayed or the form of payment changed by filing an election, in the form required by the Committee, at least one year in advance of the date upon which any distribution would otherwise have been made pursuant to the prior election. Such election shall not be effective for a period of one (1) year, and must delay the initial payment by a period of at least five (5) years, but may not result in the initial payment occurring more than ten (10) years following Retirement or Disability. In the absence of such timely filed election, the value of such Participant's Account shall be distributed in accordance with their previously timely filed Account election.

(2) Because Plan installment payments are considered a single payment for purposes of Code Section 409A. A subsequent election may accelerate the method of distribution. For example, if a Participant initially elected to receive retirement or Disability payments in five annual installments following Participant's Separation From Service, Participant could make a timely election to instead take a lump-sum distribution five years following Participant's Separation From Service. Moreover, a subsequent election may change a lump-sum distribution to an installment election, so long as, in either case, the initial payment is delayed for a period of at least five (5) years, the election is not effective for one (1) year and is made at least one (1) year in advance of the date upon which the first distribution would have otherwise been made.

(3) Because installment payments are treated as a single payment, any subsequent election must apply to all of the installment payments. For example, if a Participant initially elected to receive retirement or Disability payments in five annual installments following her Separation From Service, the Participant may not elect to defer the 1st, 2nd, 3rd and 5th installments only, but must also defer the 4th installment.

Distributions From Trust; Withholding. The Company shall deliver to the Trustees a schedule for each Participant (the "Payment Schedule") that indicates the amounts payable to each Participant (and his or her beneficiaries), unless the Trustee does not require a Payment Schedule, that provides a formula or other instructions acceptable to the Trustees for determining the amounts so payable, the form in which such amount is to be paid and the time of commencement for payment of such amounts. The Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the first date on which a payment is to be made to the Participant. Any change to a Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the date on which the first payment is to be made in accordance with the changed Payment Schedule. Except as otherwise provided herein, the Trustees shall cause the Company or the Trust to make payments to Participants and their beneficiaries in accordance with such Payment Schedule. The Trustees shall make provisions for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of Plan I benefits and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company, it being understood among the parties hereto that the Company shall on a timely basis provide the Trustees specific information as to the amount of taxes from the Trustees and properly pay and report such withheld taxes from the Trustees and properly pay and report such amounts to the appropriate taxing authorities.

K. Certain Distributions. In case of any distribution to a minor or to a legally incompetent person, the Committee may (1) direct the Trustees to make the distribution to his legal representative, to a designated relative, or directly to such person for his benefit, or (2) instruct the Trustees to use the distribution directly for his support, maintenance, or education. The Trustees shall not be required to oversee the application, by any third party, of any distributions made pursuant to this Article.

L. Phantom Cypress Stock. Distributions of accounts with allocations credited to phantom Cypress stock shall be made in cash.

Domestic Relations Order Distributions. The Committee, in its sole discretion, may accelerate a payment (or payments) make such payments to an individual other than the Participant as necessary to comply with the terms of a Domestic Relations Order.

M. Conflicts of Interest and Ethics Rules Distributions. The Committee, in its sole discretion, may accelerate a payment (or payments) as necessary (i) for any U.S. federal officer or employee in the executive branch of the U.S. federal government to comply with an ethics agreement with the U.S. federal government, or (ii) to avoid violating a U.S. federal, state, local or foreign ethics law or conflicts of interest law, as specified under Code Section 409A.

N. FICA and Related Income Tax Distribution. The Committee, in its sole discretion, may permit a distribution from a Participant's Account sufficient to pay any FICA Amounts due upon the vesting of any Company contribution as well as to satisfy the income tax withholding requirements with respect to the FICA Amount and income tax payments under this Article 7.U. In no event may the total payment under this Article 7.T. exceed the aggregate of the FICA Amount and the related income tax withholding.

O. State, Local and Foreign Tax Distribution. The Committee, in its sole discretion, may permit a distribution from a Participant's Account sufficient to pay any state, local or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan prior to the scheduled distribution of such amount. In the event the Committee exercises such discretion, the Committee may also permit a distribution sufficient to pay related income tax withholding in accordance with Code Section 409A. In no event may the total payment under this Article 7.V. exceed the aggregate amount of such taxes due.

P. Code Section 409A Distribution. In the event that the Plan fails to satisfy the requirements of Code Section 409A, then the Company, in its sole discretion, may permit a distribution from a Participant's Account up to the maximum amount required to be included in income as a result of the failure to comply with Code Section 409A.

Special 2005 Election. Notwithstanding any other provision of this Plan I, in the period commencing June 15, 2005 and ending December 31, 2005, the Committee, in its sole discretion, may permit one or more Participants to cancel or reduce Deferral Elections with respect to amounts deferred (or to be deferred) under this Plan I on or after January 1, 2005 up through December 31, 2005 in accordance with Q&A-20 under IRS Notice 2005-1, subject to the Participant entering into such cancellation or reduction agreements as are specified by the Committee.

ARTICLE VIII

CHANGE OF CONTROL

The Company, in its sole discretion, may terminate the Plan and accelerate all scheduled Plan distributions within 30 days prior to or 12 months following a Change of Control Event by means of an irrevocable election; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

ARTICLE IX

TERMINATION DUE TO CORPORATE DISSOLUTION OR PURSUANT TO BANKRUPTCY COURT APPROVAL

A. Corporate Dissolution. The Company, in its sole discretion, may terminate the Plan and accelerate all scheduled Plan distributions within 12 months following a Corporate Dissolution; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

B. Bankruptcy Court Approval. The Company, in its sole discretion, may terminate the Plan and accelerate all scheduled Plan distributions pursuant to Bankruptcy Court Approval; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

ARTICLE X

UNFORESEEABLE EMERGENCY DISTRIBUTIONS

With the consent of the Committee, a Participant may withdraw up to one hundred percent (100%) of his or her Account as may be required to meet a sudden Unforeseeable Emergency of the Participant. Such distribution may only be made if the amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE XI

CLAIMS PROCEDURE

A. Claims and Review Procedures

(1) Purpose. Every Participant or Beneficiary (or his or her representative who is authorized in writing by the Claimant to act on his or her behalf) (hereinafter collectively, "Claimant") shall be entitled to file with the Committee (and subsequently with the individual(s) designated to review claims appealed after being initially denied by the Committee (the "Deferred Compensation Committee")) a written claim for benefits under the Plan. The Committee shall be able to establish such rules, policies and procedures, consistent with ERISA and the Plan, as it may deem necessary or appropriate in carrying out its duties and responsibilities under this Article 11. In the case of a denial of the claim, the Committee shall provide the Claimant with a written or electronic notification that complies with Department of Labor Regulation Section 2520.104b-1(c)(1).

(2) Denial of Claim. If a claim is denied by the Committee (or its authorized representative), in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why the material or information is necessary; and

(iv) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following a denial on review (as set forth in Section 11(A)(4) below).

The denial notice shall be furnished to the Claimant no later than ninety (90) days after receipt of the claim by the Committee, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, then notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(3) Claim Review Procedure. The Claimant may request review of the denial at any time within sixty (60) days following the date the Claimant received notice of the denial of his or her

claim. The Committee shall afford the Claimant a full and fair review of the decision denying the claim and, if so requested, shall:

(i) provide the Claimant with the opportunity to submit written comments, documents, records and other information relating to the claim for benefits;

(ii) provide that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information (other than documents, records and other information that is legally-privileged) relevant to the Claimant's claim for benefits; and

(iii) provide for a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(4) If the claim is subsequently also denied by the Committee, in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based; and

(iii) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following the denial on review.

(5) The decision on review shall be issued within sixty (60) days following receipt of the request for review. The period for decision may, however, be extended up to one hundred twenty (120) days after such receipt if the Committee determines that special circumstances require extension. In the case of an extension, notice of the extension shall be furnished to the Claimant prior to the expiration of the initial sixty (60)-day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(6) Special Procedure for Claims Due to Disability. To the extent an application for distribution as a result of a Disability requires the Committee, as applicable, to make a determination of Disability under the terms of the Plan, then such determination shall be subject to all of the general rules described in this Article, except as they are expressly modified by this Article.

(i) The initial decision on the claim for a Disability distribution will be made within forty-five (45) days after the Plan receives the Claimant's claim, unless special circumstances require additional time, in which case the Committee will notify the Claimant before the end of the initial forty-five (45)-day period of an extension of up to thirty (30) days. If necessary, the Committee may notify the Claimant, prior to the end of the initial thirty (30)-day extension period, of a second extension of up to thirty (30) days. If an extension is due to the

Claimant's failure to supply the necessary information, then the notice of extension will describe the additional information and the Claimant will have forty-five (45) days to provide the additional information. Moreover, the period for making the determination will be delayed from the date the notification of extension was sent out until the Claimant responds to the request for additional information. No additional extensions may be made, except with the Claimant's voluntary consent. The contents of the notice shall be the same as described in Article 11(A)(2) above. If a disability distribution claim is denied in whole or in part, then the Claimant will receive notification, as described in Article 11(A)(2).

(7) If an internal rule, guideline, protocol or similar criterion is relied upon in making the adverse determination, then the denial notice to the Claimant will either set forth the internal rule, guideline, protocol or similar criterion, or will state that such was relied upon and will be provided free of charge to the Claimant upon request (to the extent not legally privileged) and if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion or limit, then the Claimant will be provided a statement either explaining the decision or indicating that an explanation will be provided to the Claimant free of charge upon request.

(8) Any Claimant whose application for a Disability distribution is denied in whole or in part, may appeal the denial by submitting to the Committee a request for a review of the application within one hundred and eighty (180) days after receiving notice of the denial. The request for review shall be in the form and manner prescribed by the Committee. In the event of such an appeal for review, the provisions of Article 11(A)(3) regarding the Claimant's rights and responsibilities shall apply. Upon request, the Committee will identify any medical or vocational expert whose advice was obtained on behalf of the Committee in connection with the denial, without regard to whether the advice was relied upon in making the determination. The entity or individual appointed by the Committee to review the claim will consider the appeal *de novo*, without any deference to the initial denial. The review will not include any person who participated in the initial denial or who is the subordinate of a person who participated in the initial denial.

(9) If the initial Disability distribution denial was based in whole or in part on a medical judgment, then the Committee will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and who was neither consulted in connection with the initial determination nor is the subordinate of any person who was consulted in connection with that determination. The Committee must include in any notice of an adverse determination on review either an explanation of the clinical basis for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request.

(10) A decision on review shall be made promptly, but not later than forty-five (45) days after receipt of a request for review, unless special circumstances require an extension of time for processing. If an extension is required, the Claimant will be notified before the end of the initial forty-five (45)-day period that an extension of time is required and the anticipated date that the review will be completed. A decision will be given as soon as possible, but not later than ninety (90) days after receipt of a request for review. The Committee must give notice of its decision to the Claimant; such notice must comply with the requirements set forth in paragraph (h) above. In addition, if the Claimant's claim was denied based on a medical necessity or experimental treatment

or similar exclusion, then the Claimant will be provided a statement explaining the decision, or a statement providing that such explanation will be furnished to the Claimant free of charge upon request. The notice shall also contain the following statement: “You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency.”

B. Exhaustion of Claims Procedure and Right to Bring Legal Claim. No action in law or equity shall be brought more than one (1) year after the Committee’s affirmation of a denial of the claim, or, if earlier, more than four (4) years after the facts or events giving rise to the Claimant’s allegation(s) or claim(s) first occurred.

ARTICLE XII

MISCELLANEOUS

A. Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan I. Any and all of the assets of the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. The obligation of the Company under Plan I shall be merely that of an unfunded and unsecured promise to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

B. Restriction Against Assignment. The Company shall pay all amounts payable hereunder only to the person or persons designated by Plan I and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from Plan I, voluntarily or involuntarily, the Committee, in its sole and absolute discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

Withholding. All taxes that are required to be withheld by the Company shall be deducted from each payment made under Plan I, as applicable. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

Legal Representation. The Company will reimburse all reasonable legal fees and expenses incurred by a Plan I Beneficiary in seeking to obtain or enforce any right or benefit provided by Plan I. This reimbursement right applies only to claims made after a Change of Control Event and only for fees and expenses incurred after a Plan I Beneficiary has exhausted the claims and appeals procedure specified in Article IX. No reimbursement shall be made if the request is found to be frivolous by a court of competent jurisdiction.

Amendment, Modification, Suspension or Termination. The Committee may amend, modify, suspend or terminate Plan I in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of Plan I or any Plan I amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Plan I is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Article VII.

Governing Law. This Plan I shall be construed, governed and administered in accordance with the internal substantive laws of the State of California (other than the choice of law principles).

Receipt or Release. Any payment to a Plan I Beneficiary in accordance with the provisions of Plan I shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Plan I Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

H. Payments on Behalf of Persons under Incapacity. In the event that any amount becomes payable under Plan I to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee and the Company.

I. No Employment or Other Rights. Participation in this Plan I shall not confer upon any person any right to be employed by the Company (or for outside director Participants, any right to remain in service as a Board member) or any other right not expressly provided hereunder.

J. Headings. Headings and subheadings in this Plan I are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

K. Successorship. This Plan I shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise, and any subsequent successor thereto; and any such successor shall be deemed to be the "Company" under this Plan I. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustees in writing of its successorship and furnish the Trustees with the name or names of any person or persons authorized to act for the Company. In no event shall any such transaction described herein suspend or delay the rights of Plan I Beneficiaries to receive their vested accrued benefits hereunder.

L. Plan I Document. This document, the prospectus to Plan I, the Deferral Election, certain definitions expressly mentioned herein that are defined in the Cypress Semiconductor 401(k) Employee Savings Plan, the Trust Agreement, and any other documents identified by the Committee, comprise the Plan documents for Plan I.

M. Definitions

- I.
- (1) "Account" means the bookkeeping account established to reflect the interest of a Participant or beneficiary in Plan I.
 - (2) "*Bankruptcy Court Approval*" means the approval of a bankruptcy court pursuant to 11 U.S.C. § 503(b)(1)(A).
 - (3) "*Cause*" means: (i) Participant's continued failure to substantially perform Participant's principal duties and responsibilities (other than as a result of disability or death) after thirty (30) days written notice from the Company specifying the nature of Participant's failure and demanding that such failure be remedied; (ii) Participant's material and continuing breach of his or her obligations to the Company set forth in any written agreement between the Company and

Participant or any written policy of the Company after thirty (30) days written notice from the Company specifying the nature of Participant's breach and demanding that such breach be remedied (unless such breach by its nature cannot be cured, in which case notice and an opportunity to cure shall not be required); (iii) Participant's arrest for a felony, fraud or an act of moral turpitude; or (iv) act or acts of dishonesty undertaken by Participant and intended to result in personal enrichment of Participant at the expense of the Company.

(4) "*Change of Control Event*" means a change in ownership or effective control of the Company or in the ownership of a substantial portion of the Company's assets, as defined under Code Section 409A.

(5) "*Code Section 409A*" means Code Section 409A and the proposed or final (as applicable) Treasury regulations and other official guidance promulgated thereunder.

(6) "*Corporate Dissolution*" means a dissolution of the Company that is taxed under Code Section 331.

(7) "*Deferral Election*" means the documents that encompass the (i) the Deferred Compensation Plan I Beneficiary Designation, (ii) the Deferred Compensation Plan I Distribution Election Form, (iii) the Deferred Compensation Plan I Participation Agreement and Deferral Election, (iv) the Deferred Compensation Plan I Investment Allocation Form for Future Deferrals, (v) the Deferred Compensation Plan I Investment Allocation Change Form, and (vi) any other documents provided to Participants relating to their Plan I deferral election decisions.

(8) "*Disability*" means the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees.

(9) "*Domestic Relations Order*" means a court order that qualifies as a domestic relations order under Code Section 414(p)(1)(B).

(10) "*FICA Amount*" means the aggregate Federal Insurance Contributions Act (FICA) tax imposed on any Account under Code Sections 3101, 3121(a) and 3121(v)(2), as applicable, and any corresponding tax withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the FICA amount.

(11) "*Involuntary Termination*" means a Participant's termination of employment (or for outside director Participants, termination of service as a Board member) with the Company because of the Company's downsizing and/or restructuring, as determined in the sole discretion of the Committee.

(12) "*Plan Year*" means the calendar year.

(13) “*Sales Commissions*” means “sales commission compensation” as such term is defined in Treasury Regulation §1.409A-2(a)(12)(i).

(14) “*Separation From Service*” means a separation from service as defined under Code Section 409A. For this purpose, the employment relationship will be treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence, except that if the period of such leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, then the employment relationship will be deemed to have terminated on the first day immediately following such 6-month period. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Employer.

(15) “*Specified Employee*” means a “key employee” as such term is defined in Internal Revenue Code Section 416(i) without regard to paragraph five (5) thereof. As of 2016, this generally includes (i) the top fifty (50) Company officers making at least \$200,000 per year, (ii) a 5% owner of the Company, or (iii) a 1% owner of the Company making more than \$150,000 per year. For purposes of the preceding sentence, “compensation” means Compensation as such term is defined in the Company’s 401(k) Employee Savings Plan. The determination of whom is a Specified Employee shall be made on December 31 of each year, shall include any employee who qualified as a Specified Employee at any time during the preceding twelve-month period and shall be effective on the following April 1.

(16) “*Unforeseeable Emergency*” means a severe financial hardship to Participant resulting from an illness or accident of Participant, the Participant’s spouse or a dependent of Participant (as defined in Section 152(a) of the Code), loss of Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of Participant.

(17) “*Valuation Date*” means, except as otherwise specified by the Committee, (i) for distributions hereunder and for allocations of deferrals and re-allocations of amounts previously deferred, that the Participant’s Account shall be valued as of the last business day of the week preceding the transaction, and (ii) for permitted plan to plan transfers made prior to January 1, 2009, the last business day of the Plan Year.

**CYPRESS SEMICONDUCTOR
CORPORATION**

By: _____
(Title) __

Date: _____

**CYPRESS NON-QUALIFIED
DEFERRED COMPENSATION PLAN II**

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CYPRESS NON-QUALIFIED DEFERRED COMPENSATION PLAN II

The Cypress Semiconductor Corporation Nonqualified Deferred Compensation Plan, originally effective as of September 1, 1995, and thereafter amended, was further amended and restated in its entirety by Cypress Semiconductor Corporation (the “Company”), effective as of January 1, 2002 on behalf of itself and any designated subsidiaries and was renamed the Cypress Non-Qualified Deferred Compensation Plan II (“Plan II”). Also on January 1, 2002, the Cypress Non-Qualified Deferred Compensation Plan I (“Plan I” or “Plan”) was adopted by the Company. Plan I is similar to Plan II except that (i) the phantom investments are different than those available under Plan II, and (ii) beneficiaries of Plan I participants who die in certain situations will receive a supplemental survivor benefit.

- Plan I and Plan II were amended effective April 1, 2004 to permit outside directors who are also consultants to participate in the Plans. Plan I and Plan II were frozen to new deferrals as of December 31, 2004 so as to qualify these prior plans for “grandfather” treatment under Internal Revenue Code Section 409A and were renamed Pre-2005 Plan I and Pre-2005 Plan II.

To comply with Internal Revenue Code Section 409A, the Company established Plan I and Plan II, covering deferrals made on and after January 1, 2005. Plan I is similar to Plan II except that (i) the phantom investments are different than those available under Plan II, and (ii) beneficiaries of Plan I participants who die in certain situations will receive a supplemental survivor benefit.

- Plan I and Plan II were amended effective June 15, 2005 to allow the Committee, in its discretion, to permit Participants to cancel or reduce Deferral Elections in 2005 with respect to amounts deferred (or to be deferred) on or after January 1, 2005 through December 31, 2005.
- Plans I and II were further amended effective January 1, 2006 to clarify that the definition of Compensation excludes any severance payments.
- Plans I and II were further amended in December, 2008 to comply with the final Treasury Regulations under Internal Revenue Code Section 409A.
- Plans I and II were further amended in January, 2009 to make clear that Cypress phantom stock is a permitted phantom investment.
- Plans I and II were further amended effective January 1, 2016 to update plan eligibility. Plan I was also amended to freeze the supplemental survivor benefit to two times the total amount deferred into Plan I through December 31, 2015.
- Plan I was further amended on June 30, 2017 to exclude Cypress phantom stock as a permitted phantom investment. Throughout, the term “Company” shall include wherever relevant any entity that is directly or indirectly controlled by the Company or any entity in

which the Company has a significant equity or investment interest, or any subsidiary of the Company, as determined by the Company.

- Effective January 1, 2018, Plan I and Plan II were then amended to designate eligibility for participation in the plans as Non-Sales employees with an annual salary equal or greater than \$200,000, or Sales employees with a total cash target greater than or equal to \$200,000, as well as any other employee or category of employee that is approved by the CEO as eligible to participate in Plan II, and non-employee members of the Board of Directors who are also paid consultants to the Company. Plan I and Plan II were also amended to allow a maximum deferral of 90% of an employee's quarterly bonus amount.

The purpose of Plan II is to provide supplemental retirement income and to permit eligible Participants the option to defer receipt of compensation, pursuant to the terms of the Plan. Plan II is intended to be an unfunded deferred compensation plan maintained for the benefit of a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and is intended to comply with Section 409A of the Internal Revenue Code. Participants shall have the status of unsecured creditors of the Company with respect to the payment of Plan benefits.

RECITALS:

1. The Company maintains Plan II for the benefit of a select group of management or highly compensated employees designated by the Company.
2. Under Plan II, the Company is obligated to pay vested accrued benefits to Plan II Participants and their beneficiary or beneficiaries ("Plan II Beneficiaries") from the Company's general assets.
3. The Company has entered into an agreement (the "Trust Agreement") with American Stock Transfer and Trust Company (the "Trustees") under an irrevocable trust (the "Trust") to be used in connection with Plan II.
4. The Company intends to make contributions to the Trust so that such contributions will be held by the Trustees and invested, reinvested and distributed, all in accordance with the provisions of this Plan II and the Trust Agreement.
5. The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.
6. The Company intends that the existence of the Trust shall not alter the characterization of Plan II as "unfunded" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and shall not be construed to provide income to Plan II Beneficiaries prior to actual payment of the vested accrued benefits thereunder.

NOW THEREFORE, the Company does hereby establish Plan II as follows and does also hereby agree that Plan II shall be structured, held and disposed of as follows:

ARTICLE I

PLAN II ADMINISTRATION

A. The Deferred Compensation Committee of the Company (the “Committee”) administers Plan II. Subject to the specific duties delegated by the Compensation Committee to such Committee, the Committee shall be responsible for the general administration and interpretation of Plan II and for carrying out its provisions. The Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties:

- (1) discretionary authority to construe and interpret the terms of Plan II, and to determine eligibility and the amount, manner and time of payment of any benefits hereunder;
- (2) to prescribe forms and procedures for purposes of Plan II participation and distribution of benefits;
- (3) to direct the Trustees as to the distribution of Plan II assets; and
- (4) to take such other action as may be necessary and appropriate for the proper administration of Plan II.

B. The Committee may adopt such rules, regulations and bylaws and may make such decisions as it deems necessary or desirable for the proper administration of Plan II. Any rule or decision that is not inconsistent with the provisions of Plan II shall be conclusive and binding upon all persons affected by it, and there shall be no appeal from any ruling by the Committee that is within its authority, except as otherwise provided herein.

The Committee shall have the power to (i) identify investment choices for the Trust Fund; and (ii) appoint or employ agents, recordkeepers and advisors to assist the Committee in discharging its duties under Plan II ARTICLE II.

ELIGIBILITY, PARTICIPATION, AND BENEFICIARY DESIGNATION

Eligible Participants The following categories of service providers (“Eligible Participants”) shall be eligible to participate in Plan II: (i) Non-Sales employees with an annual salary equal to or greater than \$200,000, or Sales employees with a total cash target greater than or equal to \$200,000; (ii) any other employee or category of employee that is approved by the CEO as eligible to participate in Plan II, and (iii) non-employee members of the Board of Directors who are also paid consultants to the Company. The Committee reserves the right to modify the definition of Eligible Participant at any time with the approval of the CEO. Any Eligible Participant who has commenced participation in Plan II shall be referred to in this Plan II as a “Participant.”

Participation Each Eligible Participant may elect to commence participation in Plan II by completing a Cypress Non-Qualified Deferred Compensation Plan II participation agreement and Deferral Election no later than the last day of his or her Election Period. For purposes of the foregoing, an Eligible Participant’s Election Period shall be defined as: (i) for newly Eligible Participants who are eligible for the first time, the thirty (30) day period measured from the date

upon which the Eligible Participant becomes eligible to participate in Plan II and any other non-qualified deferred compensation plans required to be aggregated with Plan II under Section 409A; and (ii) for all other Eligible Participants (including Eligible Participants who formerly were Eligible Participants), no later than the due date for the irrevocable enrollment forms during the annual Open Enrollment period which is generally from December 1st to December 31st of each year (the "Annual Open Enrollment Period") prior to the beginning of the Plan Year for which the election is effective (the calendar year is the "Plan Year"). Elections shall remain in effect for successive Plan years unless modified or revoked (with respect to future Plan Years only) in a subsequent Annual Open Enrollment Period.

Beneficiary Designation Each Participant, prior to entering Plan II, may designate a beneficiary or beneficiaries to receive the remainder of any interest of the Participant under Plan II in the event of the Participant's death. A Participant may change his or her beneficiary designation at any time by submitting a complete and approved form of beneficiary designation (including dated spousal consent, if required pursuant to the beneficiary designation form) to the Committee (or its designee). Each beneficiary designation shall be in a form prescribed by the Committee and will be effective only when filed with the Committee (or its designee) during the Participant's lifetime. Each beneficiary designation filed with the Committee will cancel all previously filed beneficiary designations. In the absence of a valid designation, or if no designated beneficiary survives the Participant, the Participant's interest shall be distributed to the Participant's estate.

ARTICLE III

PLAN II CONTRIBUTIONS AND ALLOCATIONS

Participant Deferrals Each Participant participating in Plan II shall, no later than the end of the applicable Enrollment Period, execute a participation agreement and Deferral Election authorizing the Company to withhold a percentage amount of the Participant's Compensation which would otherwise be paid to the Participant with respect to services rendered. Compensation under Plan II is defined as annual base salary (or, for non-employee directors, cash consulting fees, including Cypress Incentive Plan (CIP) or Manufacturing Incentive Plan (MIP) bonus), cash bonuses (including CIP or MIP bonuses, new product bonuses and any other cash bonuses), and any cash Sales Commissions payable to the Participant in connection with the Participant's services to the Company; provided however, that Compensation does not include severance payments ("Compensation"). The Committee may, in its discretion, establish in the Deferral Election minimum and maximum levels of Compensation that may be deferred pursuant to Plan II. Effective January 1, 2018, the maximum deferral for quarterly bonus payments is 90%. Compensation deferrals made by a Participant under this Plan II shall be held as an asset of the Company and the Company intends to deposit the amounts deferred into the Trust.

B. Sales Commissions and Bonuses Payable in a Subsequent Year. If cash bonuses (including new product bonuses and any other cash bonuses) or cash Sales Commissions are earned in one calendar year and would normally be paid in the first quarter of the ensuing calendar year, they shall be deferred and distributed based upon the election made by the Participant in the Open Enrollment period in the year prior to the year in which it was earned. For newly Eligible Participants, any such cash bonus or Sales Commission shall be deferred and distributed based upon their initial election made with respect to the year in which it was earned; provided, however, that such election may apply to no more than the total amount of such compensation multiplied by the ratio of the number of days remaining in the applicable performance period after such election becomes irrevocable over the total number of days in the applicable performance period.

C. Year-End Cross-Over Payroll Periods. Paydays relating to periods of service that cross-over the calendar year end shall be covered by the Participant's Deferral Election in effect for the later year, consistently with the default rules under Treasury Regulation §1.409A-2(a)(13).

Election Changes(1). A Participant may, in such form and at such time or times as the Committee may prescribe, discontinue or modify the deferral of his or her Compensation with respect to Plan Years that have not yet commenced. The Committee has the power to establish uniform and nondiscriminatory rules and from time to time to modify or change such rules governing the manner and method by which Compensation Deferral Elections shall be made, as well as the manner and method by which Compensation Deferral Elections with respect to Plan Years that have not yet commenced may be changed or discontinued temporarily or permanently. All Compensation deferral contributions shall be authorized by the Participant in writing or electronically, made by payroll deduction, deducted from the Participant's Compensation without reduction for any taxes or withholding (except to the extent required by law or regulation) and paid over to the Trust by the Company. Notwithstanding the foregoing, each Participant shall remain liable for any and all employment taxes owing with respect to such Participant's Compensation deferral contributions.

E. Limitation on Deferral Changes. The dollar amount of any Plan deferrals shall not be reduced or increased during any Plan Year by virtue of any Participant election to increase, decrease or terminate his or her rate of deferral in any other employee benefit plan, including the Company's Employee Stock Purchase Plan; except as permitted by Code Section 409A with respect to changes in Deferral Election under the Company's 401(k) Employee Savings Plan and Code Section 125 flexible benefits plan (or as otherwise permitted under Code Section 409A).

F. Cessation of Eligible Status. In the event a Participant ceases to be an Eligible Participant while also a participant in Plan II, if such individual has not undergone a Separation From Service, he or she will continue to make Compensation deferral contributions under Plan II through the end of the Plan Year in which the individual ceases to be an Eligible Participant. Thereafter, such individual shall not make any further Compensation deferral contributions to Plan II unless or until he or she again meets the eligibility requirements of Article II above.

G. Company Discretionary Contributions. The Company may, in its sole discretion, make discretionary contributions to the accounts of one or more Participants at such times and in such amounts as the Board of the Company shall determine, subject to such vesting and distribution conditions and limitations as the Company, in its sole discretion, shall impose. To the extent such Company contributions do not vest, corresponding debits will be made to a Participant's Account, including any earnings on such forfeited amounts.

H. Allocations. The Compensation deferral contributions and any Company contributions made under Plan II on behalf of a Participant shall be credited to the Participant's Account. The Committee shall establish and maintain separate subaccounts as it determines to be necessary and appropriate for the proper administration of Plan II. The Committee may cause the Trustees to maintain and invest separate asset accounts corresponding to each Participant account. Each Participant Account consists of the aggregate interest of the Participant under Plan II (and in the Trust), as reflected in the records maintained by the Company for such purposes.

Plan to Plan Transfers. Subject to the Committee's discretion, Participants shall be allowed to elect to transfer their deemed investment accounts from Plan II to Plan I or from Plan I to Plan II, subject to such limitations and reallocation requirements as the Committee, in its sole discretion, determines to be appropriate; provided, however, that any such Plan to Plan transfers shall not

change the time and method of distribution of the amounts transferred. The Plan to Plan transfers shall be effective as of the date specified by the Committee. Cancellation of Elections Due to 401(k) Hardship Withdrawal, Unforeseeable Emergency Distribution, or Disability (1) 401(k) Hardship Withdrawal. A Participant's Deferral Election shall be automatically cancelled in the event the Participant obtains a hardship distribution from the Company's 401(k) Plan pursuant to Treasury Regulation §1.401(k)-1(d)(3). The Participant, if still an Eligible Participant, may re-enroll in New Plan I during the next Open Enrollment period.

(2) Unforeseeable Emergency Distribution. A Participant's Deferral Election shall be automatically cancelled in the event the Participant obtains an unforeseeable emergency distribution from New Plan I or Plan II. The Participant, if still an Eligible Participant, may re-enroll in New Plan I during the next Open Enrollment period.

ARTICLE IV

VESTING

A. Compensation Deferral Contributions. The value of a Participant's Account attributable to Participants' Compensation deferral contributions shall always be fully vested and nonforfeitable.

B. Company Contributions. The value of a Participant's Account attributable to any Company contributions pursuant to Article III.D shall vest at such time or times as the Board may specify in connection with any such contributions. In the absence of Board or Compensation Committee specification, a Participant's interest in Company contributions shall be fully vested and nonforfeitable. Upon a Participant's Separation From Service for any reason, any portion of the Participant's Account that is not then vested (including allocable earnings, as determined by the Committee), shall be forfeited. Unless otherwise determined by the Board or the Committee, forfeitures shall be used to satisfy the Company's obligation to remit contributions to the Trust under Plan II.

ARTICLE V

GENERAL DUTIES

A. Committee Duties. The Committee will provide the Trustees with a copy of any future amendment to this Plan II promptly upon its adoption. The Committee may from time to time hire outside consultants, accountants, actuaries, legal counsel or recordkeepers to perform such tasks as the Committee may from time to time determine.

B. Trustees' Duties. The Trustees shall invest and reinvest the Trust as provided in the Trust Agreement. The Trustees shall collect the income on the Trust, and make distributions therefrom, as provided in this Plan II and in the Trust Agreement.

C. Company Contributions. While Plan II remains in effect, and prior to a Change of Control Event, as defined below, the Company shall make contributions to the Trust at least once each quarter. The amount of any quarterly contributions shall be at the discretion of the Company. At the close of each calendar year, the Company shall make an additional contribution to the Trust to the extent that previous contributions to the Trust for the current calendar year are not equal to the total of the Compensation deferrals made by each Participant plus Company discretionary contributions, if any, accrued, as of the close of the current calendar year. The Trustees shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under Plan II in full in accordance with the terms of Plan II.

D. Department of Labor Determination. In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Committee will take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

ARTICLE VI

PARTICIPANTS' ACCOUNTS

A. Separate Accounts. The Committee shall open and maintain a separate Account for each Participant. Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to this Plan II.

B. Timing of Account Credit. Amounts deferred under Plan I shall be credited to a Participant's Account within five business days following the date upon which such amounts would otherwise have been paid to the Participant.

C. Statement of Accounts. As soon as practicable after the end of each calendar year the Committee shall furnish to each Participant a statement of Account, determined as of the end of such calendar year. Upon the discovery of any error or miscalculation in an Account, the Committee shall correct it, to the extent correction is practically feasible and permissible under Code Section 409A; provided, however, that any such statement of Account shall be considered to reflect accurately the status of the Participant's Account for all purposes under Plan II unless the Participant reports a discrepancy to the Committee within six (6) months after receipt of the statement. The Committee shall have no obligation to make adjustments to a Participant's Account for any discrepancy reported to the Committee more than six (6) months after receipt of the statement, or for a discrepancy caused by the Participant's error. Statements to Participants are for reporting purposes only, and no allocation, valuation or statement shall vest any right or title in any part of the Trust, nor require any segregation of Trust assets, except as is specifically provided in this Plan II.

D. Distribution of Accounts. Payment to a Participant shall be based on the value of the vested portion of the Participant's Account as of the Valuation Date immediately preceding the date of distribution plus any contribution subsequently credited to such Account and less any distributions subsequently made from the Account.

ARTICLE VII

PAYMENTS TO A PLAN II PARTICIPANT OR BENEFICIARY

General(1) . Payments of vested accrued benefits to Plan II Beneficiaries from the Trust shall generally be made in accordance with the distribution event specified by the Participant in the Deferral Election between the Company and the Participant (the "Distribution Event"). Except as otherwise expressly provided in the Participant's Deferral Election and as set forth in Article VII below, no distribution shall be made or commenced prior to the time and manner as set forth in the Participant's Deferral Election.

B. Installment Payments Treated as Single Payments. All installment payments under the Plan are considered a single payment for purposes of complying with Code Section 409A.

C. Earliest Distributions.

(i) Regular Participants. Except as permitted by the Plan and Code Section 409A in connection with a Change of Control Event, a Corporate Dissolution, pursuant to a Bankruptcy Court Approval, a conflicts of interest or ethics rules distribution under Article 7.Q., a FICA and related income tax distribution under Article 7.R., a state, local or foreign tax distribution under Article 7.S., or a Code Section 409A Distribution under Article 7.T., in no event may the account of a Participant who is not a Specified Employee be distributed earlier than (i) the Participant's Separation From Service, (ii) the Participant's Disability, (iii) the Participant's death, (iv) a specified time under Article 7.I. hereunder, (v) a Change of Control Event, (vi) the occurrence of an Unforeseeable Emergency, or (vii) to an individual other than the Participant pursuant to a Domestic Relations Order.

(ii) Specified Employee Participants. Except as permitted by the Plan and Code Section 409A in connection with a Change of Control Event, a Corporate Dissolution, pursuant to a Bankruptcy Court Approval, a conflicts of interest or ethics rules distribution under Article 7.Q., a FICA and related income tax distribution under Article 7.R., a state, local or foreign tax distribution under Article 7.S., or a Code Section 409A Distribution under Article 7.T., in no event may a Specified Employee's account be distributed earlier than (i) six (6) months following the Specified Employee's Separation From Service (or if earlier, the Specified Employee's death), (ii) six (6) months following the Specified Employee's Disability, (iii) the Specified Employee's death, (iv) a specified time under Article 7.I. hereunder, (v) a Change of Control Event, (vi) the occurrence of an Unforeseeable Emergency, or (vii) to an individual other than the Participant pursuant to a Domestic Relations Order. In the event a Specified Employee's Plan distributions are delayed due to the six-month delay requirement, the amounts otherwise payable to the Specified Employee during such period of delay shall be paid on a date that is at least six months and one day following Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends (or, if earlier, upon the death of the Specified Employee). The Participant's other scheduled distributions, if any, shall not be affected by the period of delay.

D. Small Account Lump-Sum Distribution. If, on the date of a Participant's Separation From Service, their Accounts under Pre-2005 Plan I, Pre-2005 Plan II, New Plan I, Plan II and any other non-qualified deferred compensation plans required to be aggregated with such plans pursuant to Treasury Regulation §1.409A-1(c)(2) total, in the aggregate, less than the then applicable limit under Internal Revenue Code Section 402(g)(1)(B) (e.g., \$18,000 in 2017), then all Accounts under

all such plans, including Participant's Account under this New Plan I, shall be distributed in a lump-sum in the month following such Participant's Separation From Service, or, if the Participant is a Specified Employee, in the seventh month following such Participant's Separation From Service; provided, however, that in the event such Accounts increase in value so that their aggregate value exceeds the then applicable limit under Internal Revenue Code Section 402(g)(1)(B) on the scheduled payment date, such Accounts shall instead be paid in accordance with the Plan and the Participant's Deferral Elections.

E. Upon Retirement – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, if a Participant has a Separation From Service pursuant to Participant's retirement at age 55 or greater but with at least ten full years of continuous employment, or for outside director Participants, age 55 or greater and ten full years of continuous service as a Board member (either case shall be referred to in this Plan I as "Retirement"), then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election(s) a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of annual payments, each such payment equal to $1/n$ of the Participant's vested accrued benefit where n is the number of installments remaining to be paid, (an "Annual Payment"); provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the three permitted methods in accordance with such Deferral Elections.

F. Upon Death – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, if a Participant dies, then the Participant's beneficiary will receive their remaining Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant's Deferral Election; provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the two permitted methods in accordance with such Deferral Elections.

G. Non-Retirement Separations From Service – Plan Year 2005 Through 2008 Deferrals. With respect to amounts deferred in Plan Years 2005 through 2008, in the event a Participant has a Separation From Service that does not qualify as a Retirement, then his or her Account balance shall be distributed in a lump-sum within 60 days following such Separation From Service.

H. All Separations From Service and Death – Plan Year 2009 and Later Deferrals. With respect to amounts deferred in Plan Years 2009 and later, if a Participant dies or undergoes any Separation From Service, then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election(s) a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of Annual Payments; provided, however, that to the extent a Participant is permitted to and makes differing distribution elections for amounts deferred in different Plan Years, then the deferrals for each Plan Year (including earnings and losses thereon) shall be distributed in one of the three permitted methods in accordance with such Deferral Elections.

I. Scheduled In-Service Distribution. A Participant may elect, as provided in his or her Participant Deferral Election, to receive one or more scheduled in-service (i.e., prior to a Separation From Service) distributions from their Account balance without an early withdrawal penalty. Any such distributions must be at least two full Plan Years following the date of the Participant's Deferral Election. Each scheduled in-service distribution may be postponed (but only once) in accordance with Article 6.M. If a Participant specifies that a dollar amount will be distributed and the Account balance is less than the dollar amount, then the entire Account will be distributed. A Participant may neither increase nor decrease the amount or percentage specified for an in-service distribution once their initial election becomes irrevocable. In the event a Participant undergoes a Separation From Service prior to a scheduled in-service distribution, the in-service distribution election shall be without further force and effect and the applicable Separation From Service distribution provisions of Plan II and the Participant's Deferral Election shall control.

J. Method of Distribution. Except as specified otherwise in this Article 6, payment to any Plan II Beneficiary shall be made (i) in accordance with the Deferral Election executed by the Participant, (ii) in cash, (iii) in a lump-sum, or (iv) in annual payments.

K. Lump-Sum Distribution Timing. For Participants receiving a lump-sum distribution (other than a small account lump-sum distribution under Article 6.D. hereof, which shall be paid in accordance with that subsection), the value of their Account (or portion thereof specified in the Participant's election) shall be paid in a lump-sum cash payment no later than the end of the year in which their Separation From Service occurs (or if their Separation From Service or death occurs in December of any year, no earlier than January 1 of the following year and no later than December 31 of such following year), or, for Specified Employees (or their estates or beneficiaries), at least six months and one day after the date upon which they incur a Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends or, if earlier, upon their death.

L. Installment Distribution Timing. Installment payments shall commence no later than the end of the year following the triggering distribution event (except if the triggering event is a Separation From Service or death occurring in December, in which case the payments shall commence in the following year), or, for Specified Employees undergoing a Separation From Service triggering event, as soon as is practicable at least six months and one day after the date upon which they incur a Separation From Service, but no later than the end of the calendar year in which such six month and one day period ends. However, in no event may installment payments be made over a period exceeding fourteen years following the first installment, even if the payments are postponed pursuant to an election made under Article 6.M. hereof.

M. Subsequent Election to Delay or Change Form of Payment.

(1) A Participant's election to receive a retirement, Disability or in-service distribution may be delayed or the form of payment changed by filing an election, in the form required by the Committee, at least one year in advance of the date upon which any distribution would otherwise have been made pursuant to the prior election. Such election shall not be effective for a period of one (1) year, and must delay the initial payment by a period of at least five (5) years, but may not result in the initial payment occurring more than ten (10) years following

Retirement or Disability. In the absence of such timely filed election, the value of such Participant's Account shall be distributed in accordance with their previously timely filed Account election.

(2) Because Plan installment payments are considered a single payment for purposes of Code Section 409A. A subsequent election may accelerate the method of distribution. For example, if a Participant initially elected to receive retirement or Disability payments in five annual installments following Participant's Separation From Service, Participant could make a timely election to instead take a lump-sum distribution five years following Participant's Separation From Service. Moreover, a subsequent election may change a lump-sum distribution to an installment election, so long as, in either case, the initial payment is delayed for a period of at least five (5) years, the election is not effective for one (1) year and is made at least one (1) year in advance of the date upon which the first distribution would have otherwise been made.

(3) Because installment payments are treated as a single payment, any subsequent election must apply to all of the installment payments. For example, if a Participant initially elected to receive retirement or Disability payments in five annual installments following his/her Separation From Service, the Participant may not elect to defer the 1st, 2^d, 3rd and 5th installments only, but must also defer the 4th installment.

N. Distributions From Trust; Withholding. The Company shall deliver to the Trustees a schedule for each participant (the "Payment Schedule") that indicates the amounts payable to each Participant (and his or her beneficiaries), unless the Trustee does not require a Payment Schedule, that provides a formula or other instructions acceptable to the Trustees for determining the amounts so payable, the form in which such amount is to be paid and the time of commencement for payment of such amounts. The Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the first date on which a payment is to be made to the Participant. Any change to a Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the date on which the first payment is to be made in accordance with the changed Payment Schedule. Except as otherwise provided herein, the Trustees shall cause the Company or the Trust to make payments to Participants and their beneficiaries in accordance with such Payment Schedule. The Trustees shall make provisions for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of Plan II benefits and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company, it being understood among the parties hereto that the Company shall on a timely basis provide the Trustees specific information as to the amount of taxes from the Trustees and properly pay and report such withheld taxes from the Trustees and properly pay and report such amounts to the appropriate taxing authorities.

O. Distributions From Trust; Withholding. In case of any distribution to a minor or to a legally incompetent person, the Committee may (1) direct the Trustees to make the distribution to his legal representative, to a designated relative, or directly to such person for his benefit, or (2) instruct the Trustees to use the distribution directly for his support, maintenance, or education. The Trustees shall not be required to oversee the application, by any third party, of any distributions made pursuant to this Article.

P. Domestic Relations Order Distributions. The Committee, in its sole discretion, may accelerate a payment (or payments) make such payments to an individual other than the Participant as necessary to comply with the terms of a Domestic Relations Order.

Q. Conflicts of Interest and Ethics Rules Distributions. The Committee, in its sole discretion, may accelerate a payment (or payments) as necessary (i) for any U.S. federal officer or employee in the executive branch of the U.S. federal government to comply with an ethics agreement with the U.S. federal government, or (ii) to avoid violating a U.S. federal, state, local or foreign ethics law or conflicts of interest law, as specified under Code Section 409A.

R. FICA and Related Income Tax Distribution. The Committee, in its sole discretion, may permit a distribution from a Participant's Account sufficient to pay any FICA Amounts due upon the vesting of any Company contribution as well as to satisfy the income tax withholding requirements with respect to the FICA Amount and income tax payments under this Article 7.R. In no event may the total payment under this Article 6.R. exceed the aggregate of the FICA Amount and the related income tax withholding.

S. State, Local and Foreign Tax Distribution. The Committee, in its sole discretion, may permit a distribution from a Participant's Account sufficient to pay any state, local or foreign tax obligations arising from participation in the Plan that apply to an amount deferred under the Plan prior to the scheduled distribution of such amount. In the event the Committee exercises such discretion, the Committee may also permit a distribution sufficient to pay related income tax withholding in accordance with Code Section 409A. In no event may the total payment under this Article 6.S. exceed the aggregate amount of such taxes due.

T. Code Section 409A Distribution. In the event that the Plan fails to satisfy the requirements of Code Section 409A, then the Company, in its sole discretion, may permit a distribution from a Participant's Account up to the maximum amount required to be included in income as a result of the failure to comply with Code Section 409A.

U. Special 2005 Election. Notwithstanding any other provision of this Plan II, in the period commencing June 15, 2005 and ending December 31, 2005, the Committee, in its sole discretion, may permit one or more Participants to cancel or reduce Deferral Elections with respect to amounts deferred (or to be deferred) under this Plan II on or after January 1, 2005 up through December 31, 2005 in accordance with Q&A-20 under IRS Notice 2005-1, subject to the Participant entering into such cancellation or reduction agreements as are specified by the Committee.

ARTICLE VIII

CHANGE OF CONTROL

The Company, in its sole discretion, may terminate the Plan and accelerate all scheduled Plan distributions within 30 days prior to or 12 months following a Change of Control Event by means of an irrevocable election; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

ARTICLE IX

TERMINATION DUE TO CORPORATE DISSOLUTION OR PURSUANT TO BANKRUPTCY COURT APPROVAL

A. Corporate Dissolution. The Company, in its sole discretion may terminate the Plan and accelerate all scheduled Plan distributions within 12 months following a Corporate Dissolution; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

B. Bankruptcy Court Approval. The Company, in its sole discretion, may terminate the Plan and accelerate all scheduled Plan distributions pursuant to Bankruptcy Court Approval; provided that such termination and distribution acceleration complies with the requirements of Code Section 409A.

ARTICLE X

UNFORESEEABLE EMERGENCY DISTRIBUTIONS

With the consent of the Committee, a Participant may withdraw up to one hundred percent (100%) of his or her Account as may be required to meet a sudden Unforeseeable Emergency of the Participant. Such distribution may only be made if the amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

ARTICLE XI

CLAIMS PROCEDURE

Claims and Review Procedures(1) Purpose. Every Participant or Beneficiary (or his or her representative who is authorized in writing by the Claimant to act on his or her behalf) (hereinafter collectively, "Claimant") shall be entitled to file with the Committee (and subsequently with the individual(s) designated to review claims appealed after being initially denied by the Committee (the "Review Panel")) a written claim for benefits under the Plan. The Committee and Deferred Compensation Committee shall each be able to establish such rules, policies and procedures, consistent with ERISA and the Plan, as it may deem necessary or appropriate in carrying out its duties and responsibilities under this Article 11. In the case of a denial of the claim, the Committee or Deferred Compensation Committee, as applicable, shall provide the Claimant with a written or electronic notification that complies with Department of Labor Regulation Section 2520.104b-1(c)(1).

(2) Denial of Claim. If a claim is denied by the Committee (or its authorized representative), in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

- (i) specific reason(s) for the denial;
- (ii) reference to the specific Plan provision(s) on which the denial is based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why the material or information is necessary; and
- (iv) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following a denial on review (as set forth in Section 11(A)(4) below).

The denial notice shall be furnished to the Claimant no later than ninety (90) days after receipt of the claim by the Committee, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, then notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(3) Claim Review Procedure. The Claimant may request review of the denial at any time within sixty (60) days following the date the Claimant received notice of the denial of his or her claim. The Committee shall afford the Claimant a full and fair review of the decision denying the claim and, if so requested, shall:

(i) provide the Claimant with the opportunity to submit written comments, documents, records and other information relating to the claim for benefits;

(ii) provide that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information (other than documents, records and other information that is legally-privileged) relevant to the Claimant's claim for benefits; and

(iii) provide for a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(4) If the claim is subsequently also denied by the Deferred Compensation Committee, in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based; and

(iii) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following the denial on review.

(5) The decision on review shall be issued within sixty (60) days following receipt of the request for review. The period for decision may, however, be extended up to one hundred twenty (120) days after such receipt if the Deferred Compensation Committee determines that special circumstances require extension. In the case of an extension, notice of the extension shall be furnished to the Claimant prior to the expiration of the initial sixty (60)-day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(6) Special Procedure for Claims Due to Disability. To the extent an application for distribution as a result of a Disability requires the Committee or the Deferred Compensation Committee, as applicable, to make a determination of Disability under the terms of the Plan, then such determination shall be subject to all of the general rules described in this Article, except as they are expressly modified by this Article.

(i) The initial decision on the claim for a Disability distribution will be made within forty-five (45) days after the Plan receives the Claimant's claim, unless special circumstances require additional time, in which case the Committee will notify the Claimant before the end of the initial forty-five (45)-day period of an extension of up to thirty (30) days. If necessary, the Committee may notify the Claimant, prior to the end of the initial thirty (30)-day extension period, of a second extension of up to thirty (30) days. If an extension is due to the Claimant's failure to supply the necessary information, then the notice of extension will describe the

additional information and the Claimant will have forty-five (45) days to provide the additional information. Moreover, the period for making the determination will be delayed from the date the notification of extension was sent out until the Claimant responds to the request for additional information. No additional extensions may be made, except with the Claimant's voluntary consent. The contents of the notice shall be the same as described in Article 11(A)(2) above. If a disability distribution claim is denied in whole or in part, then the Claimant will receive notification, as described in Article 11(A)(2).

(7) If an internal rule, guideline, protocol or similar criterion is relied upon in making the adverse determination, then the denial notice to the Claimant will either set forth the internal rule, guideline, protocol or similar criterion, or will state that such was relied upon and will be provided free of charge to the Claimant upon request (to the extent not legally-privileged) and if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion or limit, then the Claimant will be provided a statement either explaining the decision or indicating that an explanation will be provided to the Claimant free of charge upon request.

(8) Any Claimant whose application for a Disability distribution is denied in whole or in part, may appeal the denial by submitting to the Deferred Compensation Committee a request for a review of the application within one hundred and eighty (180) days after receiving notice of the denial. The request for review shall be in the form and manner prescribed by the Deferred Compensation Committee. In the event of such an appeal for review, the provisions of Article 11(A)(3) regarding the Claimant's rights and responsibilities shall apply. Upon request, the Deferred Compensation Committee will identify any medical or vocational expert whose advice was obtained on behalf of the Deferred Compensation Committee in connection with the denial, without regard to whether the advice was relied upon in making the determination. The entity or individual appointed by the Deferred Compensation Committee to review the claim will consider the appeal *de novo*, without any deference to the initial denial. The review will not include any person who participated in the initial denial or who is the subordinate of a person who participated in the initial denial.

(9) If the initial Disability distribution denial was based in whole or in part on a medical judgment, then the Deferred Compensation Committee will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and who was neither consulted in connection with the initial determination nor is the subordinate of any person who was consulted in connection with that determination. The Deferred Compensation Committee must include in any notice of an adverse determination on review either an explanation of the clinical basis for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request.

(10) A decision on review shall be made promptly, but not later than forty-five (45) days after receipt of a request for review, unless special circumstances require an extension of time for processing. If an extension is required, the Claimant will be notified before the end of the initial forty-five (45)-day period that an extension of time is required and the anticipated date that the review will be completed. A decision will be given as soon as possible, but not later than ninety (90) days after receipt of a request for review. The Deferred Compensation Committee must give notice

of its decision to the Claimant; such notice must comply with the requirements set forth in paragraph (h) above. In addition, if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion, then the Claimant will be provided a statement explaining the decision, or a statement providing that such explanation will be furnished to the Claimant free of charge upon request. The notice shall also contain the following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

B. Exhaustion of Claims Procedure and Right to Bring Legal Claim. No action in law or equity shall be brought more than one (1) year after the Deferred Compensation Committee's affirmation of a denial of the claim, or, if earlier, more than four (4) years after the facts or events giving rise to the Claimant's allegation(s) or claim(s) first occurred.

ARTICLE XII

MISCELLANEOUS

A. Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan II. Any and all of the assets of the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. The obligation of the Company under Plan II shall be merely that of an unfunded and unsecured promise to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

B. Restriction Against Assignment. The Company shall pay all amounts payable hereunder only to the person or persons designated by Plan II and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from Plan II, voluntarily or involuntarily, the Committee, in its sole and absolute discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

C. Withholding. All taxes that are required to be withheld by the Company shall be deducted from each payment made under Plan II, as applicable. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

D. Legal Representation. The Company will reimburse all reasonable legal fees and expenses incurred by a Plan II Beneficiary in seeking to obtain or enforce any right or benefit provided by Plan II. This reimbursement right applies only to claims made after a Change of Control Event and only for fees and expenses incurred after the Plan II Beneficiary has exhausted the claims and appeals procedure specified in Article IX. No reimbursement shall be made if the request is found to be frivolous by a court of competent jurisdiction.

E. Amendment, Modification, Suspension or Termination. The Committee may amend, modify, suspend or terminate Plan II in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of Plan II or any Plan II amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Plan II is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Article VII.

F. Governing Law. This Plan II shall be construed, governed and administered in accordance with the internal substantive laws of the State of California (other than the choice of law principles).

G. Receipt or Release. Any payment to a Plan II Beneficiary in accordance with the provisions of Plan II shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Plan II Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

H. Payments on Behalf of Persons under Incapacity. In the event that any amount becomes payable under Plan II to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee and the Company.

I. No Employment or Other Rights. Participation in this Plan II shall not confer upon any person any right to be employed by the Company (or for outside director Participants, any right to remain in service as a Board member or consultant) or any other right not expressly provided hereunder.

J. Headings. Headings and subheadings in this Plan II are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

K. Successorship. This Plan II shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise, and any subsequent successor thereto; and any such successor shall be deemed to be the "Company" under this Plan II. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustees in writing of its successorship and furnish the Trustees with the name or names of any person or persons authorized to act for the Company. In no event shall any such transaction described herein suspend or delay the rights of Plan II Beneficiaries to receive their vested accrued benefits hereunder.

L. Plan II Document. This document, the prospectus to Plan II, the Deferral Election, certain definitions expressly mentioned herein that are defined in the Cypress Semiconductor 401(k) Employee Savings Plan, the Trust Agreement, and any other documents identified by the Committee, comprise Plan documents for Plan II.

M. Definitions.

(1) "*Account*" means the bookkeeping account established to reflect the interest of a Participant or beneficiary in Plan II.

(2) "*Bankruptcy Court Approval*" means the approval of a bankruptcy court pursuant to 11 U.S.C. § 503(b)(1)(A).

(3) “*Cause*” means: (i) Participant’s continued failure to substantially perform Participant’s principal duties and responsibilities (other than as a result of disability or death) after thirty (30) days written notice from the Company specifying the nature of Participant’s failure and demanding that such failure be remedied; (ii) Participant’s material and continuing breach of his or her obligations to the Company set forth in any written agreement between the Company and Participant or any written policy of the Company after thirty (30) days written notice from the Company specifying the nature of Participant’s breach and demanding that such breach be remedied (unless such breach by its nature cannot be cured, in which case notice and an opportunity to cure shall not be required); (iii) Participant’s arrest for a felony, fraud or an act of moral turpitude; or (iv) act or acts of dishonesty undertaken by Participant and intended to result in personal enrichment of Participant at the expense of the Company.

(4) “*Change of Control Event*” means a change in ownership or effective control of the Company or in the ownership of a substantial portion of the Company’s assets, as defined under Code Section 409A.

(5) “*Code Section 409A*” means Code Section 409A and the proposed or final (as applicable) Treasury regulations and other official guidance promulgated thereunder.

(6) “*Corporate Dissolution*” means a dissolution of the Company that is taxed under Code Section 331.

(7) “*Deferral Election*” means the documents that encompass the (i) the Deferred Compensation Plan II Beneficiary Designation, (ii) the Deferred Compensation Plan II Distribution Election Form, (iii) the Deferred Compensation Plan II Participation Agreement and Deferral Election, (iv) the Deferred Compensation Plan II Investment Allocation Form for Future Deferrals, (v) the Deferred Compensation Plan II Investment Allocation Change Form, and (vi) any other documents provided to Participants relating to their Plan II deferral election decisions.

(8) “*Disability*” means the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Company employees.

(9) “*Domestic Relations Order*” means a court order that qualifies as a domestic relations order under Code Section 414(p)(1)(B).

(10) “*FICA Amount*” means the aggregate Federal Insurance Contributions Act (FICA) tax imposed on any Account under Code Sections 3101, 3121(a) and 3121(v)(2), as applicable and any corresponding tax withholding provisions of applicable state, local or foreign tax laws as a result of the payment of the FICA amount.

(11) “*Involuntary Termination*” means a Participant’s termination of employment (or for outside director Participants, termination of service as a cBoard Member) with the Company

because of the Company's downsizing and/or restructuring, as determined in the sole discretion of the Committee.

(12) "*OASDI*" means the Old Age, Survivors and Disability Insurance portion of FICA (the "Federal Insurance Contributions Act").

(13) "*Plan Year*" means the calendar year.

(14) "*Sales Commissions*" means "sales commission compensation" as such term is defined in Treasury Regulation §1.409A-2(a)(12)(i).

(15) "*Separation From Service*" means a separation from service as defined under Code Section 409A. For this purpose, the employment relationship will be treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence, except that if the period of such leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, then the employment relationship will be deemed to have terminated on the first day immediately following such 6-month period. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Employer.

(16) "*Specified Employee*" means a "key employee" as such term is defined in Internal Revenue Code Section 416(i) without regard to paragraph five (5) thereof. As of 2016, this generally includes (i) the top fifty (50) Company officers making at least \$200,000 per year, (ii) a 5% owner of the Company, or (iii) a 1% owner of the Company making more than \$150,000 per year. For purposes of the preceding sentence, "compensation" means compensation as such term is defined in the Company's 401(k) Employee Savings Plan. The determination of whom is a Specified Employee shall be made on December 31 of each year, shall include any employee who qualified as a Specified Employee at any time during the preceding twelve-month period and shall be effective on the following April 1.

(17) "*Unforeseeable Emergency*" means a severe financial hardship to Participant resulting from an illness or accident of Participant, the Participant's spouse or a dependent of Participant (as defined in Section 152(a) of the Code), loss of Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of Participant.

(18) "*Valuation Date*" means, except as otherwise specified by the Committee, (i) for distributions hereunder and for allocations of deferrals and re-allocations of amounts previously deferred, that the Participant's Account shall be valued as of the last business day of the week preceding the transaction, and (ii) for permitted plan to plan transfers made prior to January 1, 2009, the last business day of the Plan Year.

**CYPRESS SEMICONDUCTOR
CORPORATION**

By: _____

(Title) __

Date: _____

Document No. 001-92195 Rev. *B

**CYPRESS NON-QUALIFIED
PRE-2005 DEFERRED COMPENSATION PLAN I**

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CYPRESS NON-QUALIFIED PRE-2005 DEFERRED COMPENSATION PLAN I

The Cypress Semiconductor Corporation Nonqualified Deferred Compensation Plan, originally effective as of September 1, 1995, and thereafter amended, was further amended and restated in its entirety by Cypress Semiconductor Corporation (the “Company”), effective as of January 1, 2002 on behalf of itself and any designated subsidiaries and was renamed the Cypress Non-Qualified Deferred Compensation Plan II (“Pre-2005 Plan II”). Also on January 1, 2002, this Cypress Non-Qualified Deferred Compensation Plan I (herein “Pre-2005 Plan I” or the “Plan”) was adopted by the Company. Pre-2005 Plan I is similar to Pre-2005 Plan II except that (i) the phantom investments are different than those available under Pre-2005 Plan II and (ii) beneficiaries of Pre-2005 Plan I participants who die in certain situations will receive a supplemental survivor benefit, described more fully herein. Pre-2005 Plan I and Pre-2005 Plan II were amended effective April 1, 2004 to permit outside directors who are also consultants to participate in the Plans. In order to preserve grandfather treatment under Internal Revenue Code Section 409A, the Plans were frozen to deferrals on and after January 1, 2005. This Plan has been renamed the Cypress Pre-2005 Non-Qualified Deferred Compensation Plan I, has been frozen to deferrals on and after January 1, 2005, the claims procedures under Article X have been updated to comply with ERISA, this Plan has been amended to make clear phantom Cypress stock is a permitted phantom investment alternative and the names of the Trustees have been updated, but the Plan has not been materially modified for purposes of Internal Revenue Code Section 409A. This Plan governs all Plan I deferrals made prior to January 1, 2005 and any earnings and losses thereon. Throughout, the term “Company” shall include wherever relevant any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, or any subsidiary of the Company, as determined by the Company.

RECITALS:

1. The Company maintains Pre-2005 Plan I for the benefit of a select group of management or highly compensated employees designated by the Company.
2. Under Pre-2005 Plan I, the Company is obligated to pay vested accrued benefits, and in certain circumstances, a supplemental survivor benefit, to Pre-2005 Plan I Participants and their beneficiary or beneficiaries (“Pre-2005 Plan I Beneficiaries”) from the Company’s general assets.
3. The Company has entered into an agreement (the “Trust Agreement”) with American Stock Transfer and Trust Company (the “Trustees”) under an irrevocable trust (the “Trust”) to be used in connection with Pre-2005 Plan I.
4. The Company intends to make contributions to the Trust so that such contributions will be held by the Trustees and invested, reinvested and distributed, all in accordance with the provisions of this Pre-2005 Plan I and the Trust Agreement.
5. The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.

6. The Company intends that the existence of the Trust shall not alter the characterization of Pre-2005 Plan I as “unfunded” for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and shall not be construed to provide income to Pre-2005 Plan I Beneficiaries under Pre-2005 Plan I prior to actual payment of the vested accrued benefits thereunder.

NOW THEREFORE, the Company does hereby establish Pre-2005 Plan I as follows and does also hereby agree that Pre-2005 Plan I shall be structured, held and disposed of as follows:

ARTICLE I

PRE-2005 PLAN I ADMINISTRATION

A. The Deferred Compensation Committee of the Company (the "Committee") administers Pre-2005 Plan I. Subject to the specific duties delegated by the Board of Directors (the "Board") to such Committee, the Committee shall be responsible for the general administration and interpretation of Pre-2005 Plan I and for carrying out its provisions. The Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties:

- (1) discretionary authority to construe and interpret the terms of Pre-2005 Plan I, and to determine eligibility and the amount, manner and time of payment of any benefits hereunder;
- (2) to prescribe forms and procedures for purposes of Pre-2005 Plan I participation and distribution of benefits;
- (3) to direct the Trustees as to the distribution of Pre-2005 Plan I assets; and
- (4) to take such other action as may be necessary and appropriate for the proper administration of Pre-2005 Plan I.

B. The Committee may adopt such rules, regulations and bylaws and may make such decisions as it deems necessary or desirable for the proper administration of Pre-2005 Plan I. Any rule or decision that is not inconsistent with the provisions of Pre-2005 Plan I shall be conclusive and binding upon all persons affected by it, and there shall be no appeal from any ruling by the Committee that is within its authority, except as otherwise provided herein.

C. The Committee shall have the power to (i) identify investment choices for the Trust Fund; and (ii) appoint or employ agents, recordkeepers and advisors to assist the Committee in discharging its duties under Pre-2005 Plan I.

ARTICLE II

ELIGIBILITY, PARTICIPATION, AND BENEFICIARY DESIGNATION

A. Eligible Participants. The following categories of service providers (“Eligible Participants”) shall be eligible to participate in Pre-2005 Plan I: (i) employees who are eligible to participate in the Company’s Key Employee Bonus Plan, (ii) any other employee or category of employee that is approved by the CEO as eligible to participate in Pre-2005 Plan I, and (iii) non-employee members of the Board of Directors who are also paid consultants to the Company. The Committee reserves the right to modify the definition of Eligible Participant at any time with the approval of the CEO. Any Eligible Participant who has commenced participation in Pre-2005 Plan I shall be referred to in this Pre-2005 Plan I as a “Participant.” There shall be no new Participants in the Pre-2005 Plan I on and after January 1, 2005.

B. Participation. Prior to January 1, 2005, each Eligible Participant may elect to commence participation in Pre-2005 Plan I by completing a Cypress Non-Qualified Deferred Compensation Pre-2005 Plan I participation agreement and deferral election no later than the last day of his or her Election Period. For purposes of the foregoing, an Eligible Participant’s Election Period shall be defined as: (i) for newly Eligible Participants, the thirty (30) day period measured from the date that the Company notifies in writing such Eligible Participant of his or her eligibility to participate in Pre-2005 Plan I; and (ii) for all other Eligible Participants, no later than the due date for the enrollment forms during the annual open enrollment period which is from December 1st to December 31st of each year (the “Annual Open Enrollment Period”) prior to the beginning of the Plan Year for which the election is effective (the calendar year is the “Plan Year”). Elections shall remain in effect for successive Plan years until revoked or modified by the Participant in a manner consistent with the rules of Pre-2005 Plan I and the Committee.

C. Beneficiary Designation. Prior to January 1, 2005, each Participant, prior to entering Pre-2005 Plan I, may designate a beneficiary or beneficiaries to receive the remainder of any interest of the Participant and any supplemental survivor benefit under Pre-2005 Plan I in the event of the Participant’s death. A Participant may change his or her beneficiary designation at any time by submitting a complete and approved form of beneficiary designation (including dated spousal consent, if required pursuant to the beneficiary designation form) to the Committee (or its designee). Each beneficiary designation shall be in a form prescribed by the Committee and will be effective only when filed with the Committee (or its designee) during the Participant’s lifetime. Each beneficiary designation filed with the Committee will cancel all previously filed beneficiary designations. In the absence of a valid designation, or if no designated beneficiary survives the Participant, the Participant’s interest shall be distributed to the Participant’s estate.

ARTICLE III

PRE-2005 PLAN I CONTRIBUTIONS AND ALLOCATIONS

A. Participant Deferrals. Prior to January 1, 2005, each Participant participating in Pre-2005 Plan I shall execute a participation agreement and deferral election (the “Deferral Election”)

authorizing the Company to withhold a percentage amount of the Participant's Compensation which would otherwise be paid to the Participant with respect to services rendered. Compensation under Pre-2005 Plan I is defined as the annual base salary (or, for non-employee directors, cash consulting fees, including KEBP bonus), cash bonuses (including key employee bonus, new product bonus and any other cash bonuses), and any cash commissions payable to the Participant in connection with the Participant's services to the Company, including all amounts which a Participant elects to have the Company contribute to Pre-2005 Plan I on his or her behalf as a deferral contribution ("Compensation"). A deferral percentage is applied to Compensation after all other applicable payroll deductions (other than a 401(k) wrap) have been applied. Depending on the Participant's election and the timing of the deferral, the deferral percentage may also include a SAVE component. The Committee may, in its discretion, establish in the Deferral Election minimum and maximum levels of Compensation that may be deferred pursuant to Pre-2005 Plan I. If the elected deferrals would not leave sufficient cash Compensation to satisfy required deductions under other Company Plans (e.g., 401(k) Plan, group health insurance plan), then the requested deferrals under this Pre-2005 Plan I may be reduced as necessary to satisfy those deductions. Compensation deferrals made by a Participant under this Pre-2005 Plan I shall be held as an asset of the Company and the Company intends to deposit the amounts deferred into the Trust; provided, however, if a Participant elects—pursuant to his or her Deferral Election—to transfer designated amounts of Compensation to the Cypress Semiconductor 401(k) Employee Savings Plan and related trust, then such amounts shall be held in the Trust until distributed in accordance with Section VII(B). Pre-2005 Plan I is closed to deferrals on and after January 1, 2005.

B. Election Changes. Prior to January 1, 2005, a Participant may, in such form and at such time or times as the Committee may prescribe, discontinue or modify deferral of future Compensation. The Committee has the power to establish uniform and nondiscriminatory rules and from time to time to modify or change such rules governing the manner and method by which Compensation deferral elections shall be made, as well as the manner and method by which Compensation deferral elections may be changed or discontinued temporarily or permanently. All Compensation deferral contributions shall be authorized by the Participant in writing, made by payroll deduction, deducted from the Participant's Compensation without reduction for any taxes or withholding (except to the extent required by law or regulation) and paid over to the Trust by the Company. Notwithstanding the foregoing, each Participant shall remain liable for any and all employment taxes owing with respect to such Participant's Compensation deferral contributions.

C. Cessation of Eligible Status. Prior to January 1, 2005, in the event a Participant ceases to be an Eligible Participant while also a participant in Pre-2005 Plan I, such individual may continue to make Compensation deferral contributions under Pre-2005 Plan I through the end of the payroll period in which the individual ceases to be an Eligible Participant. Thereafter, such individual shall not make any further Compensation deferral contributions to Pre-2005 Plan I unless or until he or she again meets the eligibility requirements of Article II above.

D. Company Discretionary Contributions. Prior to January 1, 2005, the Company may, in its sole discretion, make discretionary contributions to the accounts of one or more Participants at such times and in such amounts as the Board of the Company shall determine.

E. Allocations. The Compensation deferral contributions and any Company contributions made under Pre-2005 Plan I on behalf of a Participant shall be credited to the Participant's Account. The Committee shall establish and maintain separate subaccounts as it determines to be necessary and appropriate for the proper administration of Pre-2005 Plan I. The Committee may cause the Trustees to maintain and invest separate asset accounts corresponding to each Participant account. Each Participant Account consists of the aggregate interest of the Participant under Pre-2005 Plan I (and in the Trust Fund), as reflected in the records maintained by the Company for such purposes.

F. Plan to Plan Transfers. Subject to the Committee's discretion, during the annual open enrollment period Participants shall be allowed to elect to transfer their deemed investment accounts from Pre-2005 Plan II to Pre-2005 Plan I, subject to such limitations and reallocation requirements as the Committee, in its sole discretion, determines to be appropriate. The plan to plan transfers shall be effective as of the first day of the following Plan Year.

ARTICLE IV

VESTING

A. Compensation Deferral Contributions. The value of a Participant's Account attributable to Participants' Compensation deferral contributions shall always be fully vested and nonforfeitable.

B. Company Contributions. The value of a Participant's Account attributable to any Company contributions pursuant to Article III.D shall vest at such time or times as the Board may specify in connection with any such contributions. In the absence of Board specification, a Participant's interest in Company contributions shall be fully vested and nonforfeitable. Upon termination of a Participant's employment (or for outside director Participants, upon the later of their termination of service as a Board member or consultant) with the Company for any reason, any portion of the Participant's Account that is not then vested (including allocable earnings, as determined by the Committee), shall be forfeited. Unless otherwise determined by the Board or the Committee, forfeitures shall be used to satisfy the Company's obligation to remit contributions to the Trust under Pre-2005 Plan I.

ARTICLE V

GENERAL DUTIES

A. Committee Duties. The Committee will provide the Trustees with a copy of any future amendment to this Pre-2005 Plan I promptly upon its adoption. The Committee may from time to time hire outside consultants, accountants, actuaries, legal counsel or recordkeepers to perform such tasks as the Committee may from time to time determine.

B. Trustees' Duties. The Trustees shall invest and reinvest the Trust Fund as provided in the Trust Agreement. The Trustees shall collect the income on the Trust Fund, and make distributions therefrom, as provided in this Pre-2005 Plan I and in the Trust Agreement.

C. Company Contributions. While Pre-2005 Plan I remains in effect, and prior to a Change in Control, as defined below, the Company shall make contributions to the Trust Fund at least once each quarter. The amount of any quarterly contributions shall be at the discretion of the Company. At the close of each calendar year, the Company shall make an additional contribution to the Trust Fund to the extent that previous contributions to the Trust Fund for the current calendar year are not equal to the total of the Compensation deferrals made by each Participant plus Company discretionary contributions, if any, accrued, as of the close of the current calendar year. The Trustees shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under Pre-2005 Plan I in full in accordance with the terms of Pre-2005 Plan I.

D. Department of Labor Determination. In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Committee will take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

ARTICLE VI

PARTICIPANTS' ACCOUNTS

A. Separate Accounts. The Committee shall open and maintain a separate Account for each Participant. Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to this Pre-2005 Plan I.

B. Timing of Account Credit. Amounts deferred under Pre-2005 Plan I shall be credited to a Participant's Account within five business days following the date upon which such amounts would otherwise have been paid to the Participant.

C. Statement of Accounts. As soon as practicable after the end of each calendar year the Committee shall furnish to each Participant a statement of Account, determined as of the end of such calendar year. Upon the discovery of any error or miscalculation in an Account, the Committee shall correct it, to the extent correction is practically feasible; provided, however, that any such statement

of Account shall be considered to reflect accurately the status of the Participant's Account for all purposes under Pre-2005 Plan I unless the Participant reports a discrepancy to the Committee within six (6) months after receipt of the statement. The Committee shall have no obligation to make adjustments to a Participant's Account for any discrepancy reported to the Committee more than six (6) months after receipt of the statement, or for a discrepancy caused by the Participant's error. Statements to Participants are for reporting purposes only, and no allocation, valuation or statement shall vest any right or title in any part of the Trust Fund, nor require any segregation of Trust assets, except as is specifically provided in this Pre-2005 Plan I.

D. Distribution of Accounts. Payment to a Participant shall be based on the value of the vested portion of the Participant's Account as of the Valuation Date immediately preceding the date of distribution plus any contribution subsequently credited to such Account and less any distributions subsequently made from the Account.

ARTICLE VII

PAYMENTS TO A PRE-2005 PLAN I PARTICIPANT OR BENEFICIARY

A. General. Payments of vested accrued benefits to Pre-2005 Plan I Beneficiaries from the Trust shall be made in accordance with the distribution event specified by the Participant in the Deferral Election between the Company and the Participant (the "Distribution Event"). Except as otherwise expressly provided in the Participant's Deferral Election and as set forth in Article VII below, no distribution shall be made or commenced prior to the time and manner as set forth in the Participant's Deferral Election.

B. Upon Retirement or Total Disability. If a Participant's employment (or for outside director Participants, service as a Board member or consultant) with the Company terminates (i) by virtue of Participant's Total Disability (as defined under Section 22(e)(3) of the Internal Revenue Code and as determined in the sole discretion of the Committee), or (ii) pursuant to Participant's retirement (a) at age 65 or greater, or (b) at age 55 or greater but with at least ten full years of continuous employment (or for outside director Participants, ten full years of continuous service as a Board member or consultant) by the Company (either case shall be referred to in this Pre-2005 Plan I as "Retirement"), then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of annual payments, each such payment equal to $1/n$ of the Participant's vested accrued benefit where n is the number of installments remaining to be paid, (an "Annual Payment").

C. Upon Death. If a Participant's employment (or for outside director Participants, service as a Board member or consultant) terminates due to his or her death, or if a Participant dies while on a leave of absence where re-employment (or for outside director Participants, their re-commencement of service as a Board member or consultant) with the Company is not guaranteed by contract or statute, then the Participant's beneficiary will receive their Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant's Deferral Election.

D. Supplemental Survivor Benefit. If a Participant dies while actively employed (or for outside director Participants, while actively engaged in service as a Board member or consultant) by the Company or on a Company-approved leave of absence, then, in addition to the account distribution provided for in Section VII(C) above, his or her beneficiary shall receive a taxable survivor benefit equal to two times the total amount deferred into Pre-2005 Plan I through the date of death, including certain amounts deferred under Pre-2005 Plan II that were transferred to Pre-2005 Plan I (as described below), and excluding certain distributions (as described below) up to a total maximum benefit, including any supplemental survivor benefit under Plan I governing deferrals on and after January 1, 2005, of three million dollars (\$3,000,000). For the purpose of determining the amount of the supplemental survivor benefit, earnings or losses on deferrals are not included. Any Pre-2005 Plan I distributions prior to death shall reduce the Plan deferral balance by a pro rata amount, calculated as of the distribution Valuation Date. Any Pre-2005 Plan II transfers to Pre-2005 Plan I shall carry a pro rata credit for Pre-2005 Plan II deferrals. For this purpose, Pre-2005 Plan II deferrals will be reduced by distributions similarly to Pre-2005 Plan I. For purposes of calculating Plan deferrals, amounts transferred to the Cypress Semiconductor 401(k) Employee Savings Plan and related trust shall be deducted from their Plan Deferral balance; provided, however, that if a Participant dies prior to the scheduled transfer to the Cypress Semiconductor 401(k) Employee Savings Plan, the amounts subsequently transferred shall not be deducted from their Plan Deferral balance for purposes of calculating the Supplemental Survivor Benefit. For purposes of valuing Plan Distributions, any 6% penalty pursuant to Section IX hereof shall be included in calculating the total amount distributed.

Example I: Participant A defers \$1,750,000 to Pre-2005 Plan I. This appreciates to \$2,000,000. Participant A then dies while employed by the Company. Because the Supplemental Survivor Benefit is capped at \$3,000,000, her beneficiary receives a \$3,000,000 Supplemental Survivor Benefit.

Example II: Participant A defers \$100,000 into Pre-2005 Plan II. This appreciates to \$130,000, at which time it is transferred to Pre-2005 Plan I. Participant A then defers \$25,000 into Pre-2005 Plan I. Subsequently, Participant A's Pre-2005 Plan I total account value declines to \$80,000 based upon her phantom investments diminishing in value. Participant A dies while on a Company-approved leave of absence. Due to Participant A's \$100,000 Pre-2005 Plan II transfer deferral credit, and her \$25,000 deferral credit under Pre-2005 Plan I, her beneficiary receives a \$250,000 Supplemental Survivor Benefit.

Example III: Participant A defers \$100,000 into Pre-2005 Plan II. This depreciates to \$65,000, at which time it is transferred to Pre-2005 Plan I. Participant A then defers \$25,000 into Pre-2005 Plan I. Subsequently, Participant A's Pre-2005 Plan I total account value declines to \$40,000 based upon her phantom investments diminishing in value. Participant dies while on a Company-approved leave of absence. Due to Participant A's \$100,000 Pre-2005 Plan II transfer deferral credit, and her \$25,000 deferral credit under Pre-2005 Plan I, her beneficiary receives a \$250,000 Supplemental Survivor Benefit.

Example IV: Participant B has deferred \$150,000 into Pre-2005 Plan II. The Pre-2005 Plan II account appreciates to \$250,000, at which time \$125,000 is transferred to Pre-2005 Plan I.

Participant B thereafter defers \$30,000 to Pre-2005 Plan I. The Pre-2005 Plan I account subsequently appreciates to \$235,000, at which time Participant B receives a scheduled \$110,000 in-service distribution from Pre-2005 Plan I. Subsequently Participant B's Pre-2005 Plan I account appreciates to \$150,000, at which time Participant B dies while employed by the Company.

- The Pre-2005 Plan II transfer deferral credit equals \$75,000, because the total deferrals under Pre-2005 Plan II at the time of distribution were \$150,000, and because the transfer of 50% of the Pre-2005 Plan II balance results in a pro rata 50% transfer of the Pre-2005 Plan II deferral credit.
- The Total Pre-2005 Plan I deferrals equal \$30,000.
- At the time of the distribution, the total Pre-2005 Plan I deferral credit is \$105,000 = Pre-2005 Plan II transfer credit of \$75,000 plus Pre-2005 Plan I deferrals of \$30,000.
- The \$110,000 Pre-2005 Plan I distribution results in a pro rata reduction in the Pre-2005 Plan I deferral credit. The \$110,000 distribution is divided by the then Total Pre-2005 Plan I account value of \$235,000 resulting in .468. Because distributions result in a pro rata reduction of deferral credit, .468 is multiplied by the total Pre-2005 Plan I deferral credit of \$105,000 = \$49,140. This amount is reduced from the Total Pre-2005 Plan I deferral credit (\$105,000 - \$49,140) resulting in a post-distribution Total Pre-2005 Plan I deferral credit of \$55,860.
- Upon Participant B's death, his beneficiary receives a Supplemental Survivor Benefit equal to $2 \times \$55,860 = \$111,720$.

Example V: Participant C defers \$1,400,000 to Pre-2005 Plan I. Participant C terminates her employment with the Company. Shortly thereafter, Participant C dies. Because on her date of death Participant C was neither actively employed by the Company nor on a Company-approved leave of absence, her beneficiary does not receive a Supplemental Survivor Benefit.

E. Change of Control. In the event of a "Change of Control," the Committee may, in its sole discretion, decide to distribute all Account balances in a lump-sum promptly following the Change of Control. For purposes of this Pre-2005 Plan I, a "Change in Control" shall be deemed to have occurred if any person (including a "Group" as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) acquires shares of the Company either (i) having a majority of the total number of votes that may be cast for the election of directors of the Company or (ii) possessing, directly or indirectly, the power to control the direction of management or policies of the Company; provided, however, that no Change of Control shall be deemed to occur in the event of a merger, consolidation or reorganization of the Company where the shareholders of the Company are substantially the same as before such merger, consolidation or reorganization. The Trustees shall have no responsibility to determine whether a Change in Control has occurred and shall be advised of such event by the Company.

F. Prior to Retirement or for Cause. In the event a Participant is terminated involuntarily for Cause (as determined by the Committee in its sole discretion), or in the event that his or her employment (or for outside director Participants, the later of termination of service as a Board member or consultant) terminates voluntarily prior to Retirement, then his or her Account balance shall be distributed in a lump-sum within 60 days following such termination.

G. Involuntary Termination Due to Company Downsizing, Restructuring or Adverse Business Conditions. In the event a Participant is terminated due to a Company down-sizing or restructuring or adverse business conditions (as determined by the Committee in its sole discretion), then the Participant will receive their Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant's Deferral Election.

H. Scheduled In-Service Distribution. A Participant may elect, as provided in his or her Participant Deferral Election, to receive one or more scheduled in-service (i.e., while employed by the Company, or, for outside director Participants, while serving as a Board member or consultant) distributions from their Account balance without an early withdrawal penalty. Any such distributions must be at least two full Plan Years following the date of the Participant's Deferral Election. Each scheduled in-service distribution may be postponed (but only once) at least one full year in advance of the scheduled distribution to a later date or cancelled by submitting the appropriate form to the Company or its designated administrator. If a Participant specifies that a dollar amount will be distributed and the Account balance is less than the dollar amount, then the entire Account will be distributed. A Participant may increase or decrease the amount or percentage specified for an in-service distribution by submitting the appropriate form at any time prior to twelve months in advance of the scheduled in-service distribution. In the event a Participant terminates employment (or for outside director Participants, the later of termination of service as a Board member or consultant) with the Company prior to a scheduled in-service distribution, the in-service distribution election shall be without further force and effect and the applicable termination distribution provisions of the plan and the Participant's Deferral Election shall control.

I. Method of Distribution. Except as specified otherwise in this Section VII, payment to any Pre-2005 Plan I Beneficiary Pursuant to Pre-2005 Plan I shall be made (i) in accordance with the Deferral Election executed by the Participant, (ii) in cash, (iii) in a lump sum or in Annual Payments. Notwithstanding the foregoing, if elected by the Participant in his or her Deferral Election and if directed by the Committee, the Trustees shall pay to the trustee of the Cypress Semiconductor 401(k) Employee Savings Plan the aggregate amount of elected transfers, but only to the extent that the transferred amount would constitute a deductible employer contribution pursuant to Code Sections 401 and 404 for the year for which they were initially contributed to Pre-2005 Plan I. The Committee will make the determination as to whether such amounts constitute deductible contributions pursuant to Code Section 401 and 404.

J. Distributions From Trust; Withholding. Unless the Trustees do not require this, with respect to each Participant, the Company shall deliver to the Trustees a schedule (the "Payment Schedule") that indicates the amounts payable in respect of the Participant (and his or her

beneficiaries), that provides a formula or other instructions acceptable to the Trustees for determining the amounts so payable, the form in which such amount is to be paid and the time of commencement for payment of such amounts. The Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the first date on which a payment is to be made to the Participant. Any change to a Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the date on which the first payment is to be made in accordance with the changed Payment Schedule. Except as otherwise provided herein, the Trustees shall cause the Company or the Trust to make payments to Participants and their beneficiaries in accordance with such Payment Schedule. The Trustees shall make provisions for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of Pre-2005 Plan I benefits and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company, it being understood among the parties hereto that the Company shall on a timely basis provide the Trustees specific information as to the amount of taxes from the Trustees and properly pay and report such withheld taxes from the Trustees and properly pay and report such amounts to the appropriate taxing authorities.

K. Certain Distributions. In case of any distribution to a minor or to a legally incompetent person, the Committee may (1) direct the Trustees to make the distribution to his legal representative, to a designated relative, or directly to such person for his benefit, or (2) instruct the Trustees to use the distribution directly for his support, maintenance, or education. The Trustees shall not be required to oversee the application, by any third party, of any distributions made pursuant to this Article.

L. IRS Determination. Notwithstanding any other provisions of this Pre-2005 Plan I, if any amounts held in the Trust are found in a "determination" (within the meaning of Section 1313(a) of the Internal Revenue Code of 1986, as amended (the "Code")), to have been includible in the gross income of any Trust Beneficiary prior to payment of such amounts from the Trust, the Trustees shall, as soon as practicable pay such amounts to the Trust Beneficiary, as directed by the Company. For purposes of this Section, the Trustees shall be entitled to written notice from the Committee that a determination described in the preceding sentence has occurred and to receive a copy of such notice. The Trustees shall have no responsibility until so advised by the Committee.

M. Phantom Cypress Stock. Distributions of accounts with allocations credited to phantom Cypress stock shall be made in cash.

ARTICLE VIII

HARDSHIP DISTRIBUTION

If a Participant suffers a financial hardship, as such term is defined in the Cypress Semiconductor 401(k) Plan, the Participant may, with the approval of the Committee, receive an in-service distribution from his or her Account equal to the amount needed to satisfy such hardship. In the event a Participant receives a hardship distribution pursuant to this Article, such Participant shall be excluded from participating in Pre-2005 Plan I and Pre-2005 Plan II for the balance of Plan Year in which the Participant received payment pursuant to a request for a hardship distribution. A

Participant requesting a hardship distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

ARTICLE IX

ON-DEMAND DISTRIBUTIONS

A. On-Demand Distribution While Providing Service. At any time while a Participant in Pre-2005 Plan I while employed by (or, for outside director Participants, while providing service as a Board member or Consultant to) the Company, a Participant may request to receive a distribution of not less than twenty-five percent (25%) of the Participant's Account. Such on-demand distribution shall be subject to a penalty equal to six percent (6%) of the amount distributed to the Participant as an on-demand distribution. In the event a Participant received an on-demand distribution pursuant to this Article prior to January 1, 2003, such Participant shall not be eligible to participate in Pre-2005 Plan I (i) for the Plan Year in which the Participant received payment pursuant to a request for an on-demand distribution, and (ii) for the Plan Year following the Plan Year in which the Participant received payment pursuant to a request for an on-demand distribution. In the event a Participant receives an on-demand distribution pursuant to this Article on or after January 1, 2003, such Participant shall not be eligible to participate in Pre-2005 Plan I for the greater of (i) six months, or (ii) the remainder of the Plan Year in which the Participant received payment pursuant to a request for an on-demand distribution. Moreover, a Participant may not receive an on-demand distribution more frequently than once every two years. A Participant requesting an on-demand distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

B. On-Demand Distribution Following Service. Following a Participant's termination of employment (or for outside director Participants, the later of termination of service as a Board member or consultant), a Participant who is otherwise scheduled to receive a payment over time may request to receive a distribution of the balance of his or her Account. Such on-demand distribution shall be subject to a penalty equal to six percent (6%) of the amount distributed to the Participant as an on-demand distribution. A Participant requesting an on-demand distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

ARTICLE X

CLAIMS PROCEDURE

1. Claims and Review Procedures.

(a) Purpose. Every Participant or Beneficiary (or his or her representative who is authorized in writing by the Claimant to act on his or her behalf) (hereinafter collectively, "Claimant") shall be entitled to file with the Committee (and subsequently with the individual(s) designated to review claims appealed after being initially denied by the Committee (the "Review

Panel”) a written claim for benefits under the Plan. The Committee and Review Panel shall each be able to establish such rules, policies and procedures, consistent with ERISA and the Plan, as it may deem necessary or appropriate in carrying out its duties and responsibilities under this Article 10. In the case of a denial of the claim, the Committee or Review Panel, as applicable, shall provide the Claimant with a written or electronic notification that complies with Department of Labor Regulation Section 2520.104b-1(c)(1).

(b) Denial of Claim. If a claim is denied by the Committee (or its authorized representative), in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based;

(iii) description of any additional material or information necessary for the Claimant to perfect the claim a, and an explanation of why the material or information is necessary; and

(iv) an explanation of the Plan’s claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant’s right to bring a civil action under ERISA Section 502(a) following a denial on review (as set forth in Section 10(3) below).

The denial notice shall be furnished to the Claimant no later than ninety (90)-days after receipt of the claim by the Committee, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, then notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90)-days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

2. Claim Review Procedure. The Claimant may request review of the denial at any time within sixty (60) days following the date the Claimant received notice of the denial of his or her claim. The Committee shall afford the Claimant a full and fair review of the decision denying the claim and, if so requested, shall:

(i) provide the Claimant with the opportunity to submit written comments, documents, records and other information relating to the claim for benefits;

(ii) provide that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information

(other than documents, records and other information that is legally-privileged) relevant to the Claimant's claim for benefits; and

(iii) provide for a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

3. If the claim is subsequently also denied by the Review Panel, in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based; and

(iii) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following the denial on review.

4. The decision on review shall be issued within sixty (60) days following receipt of the request for review. The period for decision may, however, be extended up to one hundred twenty (120) days after such receipt if the Review Panel determines that special circumstances require extension. In the case of an extension, notice of the extension shall be furnished to the Claimant prior to the expiration of the initial sixty (60)-day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

5. Special Procedure for Claims Due to Disability. To the extent an application for distribution as a result of a Disability requires the Committee or the Review Panel, as applicable, to make a determination of Disability under the terms of the Plan, then such determination shall be subject to all of the general rules described in this Article, except as they are expressly modified by this Section.

(i) The initial decision on the claim for a Disability distribution will be made within forty-five (45) days after the Plan receives the Claimant's claim, unless special circumstances require additional time, in which case the Committee will notify the Claimant before the end of the initial forty-five (45)-day period of an extension of up to thirty (30) days. If necessary, the Committee may notify the Claimant, prior to the end of the initial thirty (30)-day extension period, of a second extension of up to thirty (30) days. If an extension is due to the Claimant's failure to supply the necessary information, then the notice of extension will describe the additional information and the Claimant will have forty-five (45) days to provide the additional information. Moreover, the period for making the determination will be delayed from the date the notification of extension was sent out until the Claimant responds to the request for additional information. No additional extensions may be made, except with the Claimant's voluntary consent.

The contents of the notice shall be the same as described in Section 10(1)(b) above. If a disability distribution claim is denied in whole or in part, then the Claimant will receive notification, as described in Section 10(1)(b).

(ii) If an internal rule, guideline, protocol or similar criterion is relied upon in making the adverse determination, then the denial notice to the Claimant will either set forth the internal rule, guideline, protocol or similar criterion, or will state that such was relied upon and will be provided free of charge to the Claimant upon request (to the extent not legally-privileged) and if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion or limit, then the Claimant will be provided a statement either explaining the decision or indicating that an explanation will be provided to the Claimant free of charge upon request.

(iii) Any Claimant whose application for a Disability distribution is denied in whole or in part, may appeal the denial by submitting to the Review Panel a request for a review of the application within one hundred and eighty (180) days after receiving notice of the denial. The request for review shall be in the form and manner prescribed by the Review Panel. In the event of such an appeal for review, the provisions of Section 10(2) regarding the Claimant's rights and responsibilities shall apply. Upon request, the Review Panel will identify any medical or vocational expert whose advice was obtained on behalf of the Review Panel in connection with the denial, without regard to whether the advice was relied upon in making the determination. The entity or individual appointed by the Review Panel to review the claim will consider the appeal de novo, without any deference to the initial denial. The review will not include any person who participated in the initial denial or who is the subordinate of a person who participated in the initial denial.

(iv) If the initial Disability distribution denial was based in whole or in part on a medical judgment, then the Review Panel will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and who was neither consulted in connection with the initial determination nor is the subordinate of any person who was consulted in connection with that determination; and upon notifying the Claimant of an adverse determination on review, include in the notice either an explanation of the clinical basis for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request.

(v) A decision on review shall be made promptly, but not later than forty-five (45) days after receipt of a request for review, unless special circumstances require an extension of time for processing. If an extension is required, the Claimant will be notified before the end of the initial forty-five (45)-day period that an extension of time is required and the anticipated date that the review will be completed. A decision will be given as soon as possible, but not later than ninety (90) days after receipt of a request for review. The Review Panel shall give notice of its decision to the Claimant; such notice shall comply with the requirements set forth in paragraph (h) above. In addition, if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion, then the Claimant will be provided a statement explaining the

decision, or a statement providing that such explanation will be furnished to the Claimant free of charge upon request. The notice shall also contain the following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

ARTICLE XI

MISCELLANEOUS

A. Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Pre-2005 Plan I. Any and all of the assets of the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. The obligation of the Company under Pre-2005 Plan I shall be merely that of an unfunded and unsecured promise to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

B. Restriction Against Assignment. The Company shall pay all amounts payable hereunder only to the person or persons designated by Pre-2005 Plan I and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from Pre-2005 Plan I, voluntarily or involuntarily, the Committee, in its sole and absolute discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

C. Withholding. There shall be deducted from each payment made under Pre-2005 Plan I, all taxes that are required to be withheld by the Company, as applicable, in respect to such payment. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

D. Legal Representation. The Company will reimburse all reasonable legal fees and expenses incurred by a Pre-2005 Plan I Beneficiary in seeking to obtain or enforce any right or benefit provided by Pre-2005 Plan I. This reimbursement right applies only to claims made after a Change of Control and only for fees and expenses incurred after a Pre-2005 Plan I Beneficiary has exhausted the claims and appeals procedure specified in Article IX. No reimbursement shall be made if the request is found to be frivolous by a court of competent jurisdiction.

E. Amendment, Modification, Suspension or Termination. The Committee may amend, modify, suspend or terminate Pre-2005 Plan I in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of Pre-2005 Plan I or any Pre-2005 Plan I amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Pre-2005 Plan I is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Article VII, subject to earlier distribution at the discretion of the Committee.

F. Governing Law. This Pre-2005 Plan I shall be construed, governed and administered in accordance with the internal substantive laws of the State of California (other than the choice of law principles).

G. Receipt or Release. Any payment to a Pre-2005 Plan I Beneficiary in accordance with the provisions of Pre-2005 Plan I shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Pre-2005 Plan I Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

H. Payments on Behalf of Persons under Incapacity. In the event that any amount becomes payable under Pre-2005 Plan I to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee and the Company.

I. No Employment or Other Rights. Participation in this Pre-2005 Plan I shall not confer upon any person any right to be employed by the Company (or for outside director Participants, any right to remain in service as a Board member or consultant) or any other right not expressly provided hereunder.

J. Headings, etc. Not Part of Agreement. Headings and subheadings in this Pre-2005 Plan I are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

K. Successorship. This Pre-2005 Plan I shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise, and any subsequent successor thereto; and any such successor shall be deemed to be the "Company" under this Pre-2005 Plan I. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustees in writing of its successorship and furnish the Trustees with the name or names of any person or persons authorized to act for the Company. In no event shall any such transaction described herein suspend or delay the rights of Pre-2005 Plan I Beneficiaries to receive their vested accrued benefits hereunder.

L. Pre-2005 Plan I Document. This document, the prospectus to Pre-2005 Plan I, the Deferral Election, certain definitions expressly mentioned herein that are defined in the Cypress Semiconductor Employee 401(k) Plan, the Trust Agreement, and any other documents identified by the Committee, comprise the Plan documents for Pre-2005 Plan I.

M. Definitions.

(1) “*Account*” means the bookkeeping account established to reflect the interest of a Participant or beneficiary in Pre-2005 Plan I.

(2) “*Cause*” means: (i) Participant’s continued failure to substantially perform Participant’s principal duties and responsibilities (other than as a result of disability or death) after thirty (30) days written notice from the Company specifying the nature of Participant’s failure and demanding that such failure be remedied; (ii) Participant’s material and continuing breach of his or her obligations to the Company set forth in any written agreement between the Company and Participant or any written policy of the Company after thirty (30) days written notice from the Company specifying the nature of Participant’s breach and demanding that such breach be remedied (unless such breach by its nature cannot be cured, in which case notice and an opportunity to cure shall not be required); (iii) Participant’s arrest for a felony, fraud or an act of moral turpitude; or (iv) act or acts of dishonesty undertaken by Participant and intended to result in personal enrichment of Participant at the expense of the Company.

(3) “*Deferral Election*” means the documents that encompass the (i) Deferred Compensation Plans’ Beneficiary Designation, (ii) Deferred Compensation Plans’ Distribution Election Form, (iii) Deferred Compensation Plans’ Participation Agreement and Deferral Election, (iv) the Deferred Compensation Plan Manulife Investment Allocation Form for Future Deferrals, (v) the Deferred Compensation Plan Manulife Investment Allocation Change Form, (vi) the In-Service Distribution Change Form, (vii) the Accelerated Distribution Election Form, (viii) the Election to Stop Contribution Form, and (ix) any other documents designated by the Committee as encompassing the Deferral Election.

(4) “*Involuntary Termination*” means a Participant’s termination of employment (or for outside director Participants, termination of service as a consultant) with the Company because of the Company’s downsizing and/or restructuring, as determined in the sole discretion of the Committee.

(5) “*OASDI*” means the Old Age, Survivors and Disability Insurance portion of FICA (the “Federal Insurance Contributions Act”).

(6) “*Plan Year*” means the calendar year.

(7) “*SAVE*” means “Set Aside Voluntary Earnings” and refers to the Participant’s election to increase the rate of his or her Plan deferral by an amount equal to the amount of OASDI that would have been withheld from their Compensation had they not reached the OASDI wage base cap (e.g., \$87,900 in 2004) in a particular calendar year.

(8) "*Valuation Date*" means, except as otherwise specified by the Committee, (i) for distributions hereunder and for allocations of deferrals and re-allocations of amounts previously deferred, that the Participant's Account shall be valued as of the last business day of the week preceding the transaction, and (ii) for permitted Pre-2005 Plan II to Pre-2005 Plan I transfers, the last business day of the Plan Year.

**CYPRESS SEMICONDUCTOR
CORPORATION**

By: _____

(Title) _____

Date: _____, 2009

**CYPRESS NON-QUALIFIED
PRE-2005 DEFERRED COMPENSATION PLAN II**

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CYPRESS PRE-2005 NON-QUALIFIED DEFERRED COMPENSATION PLAN II

The Cypress Semiconductor Corporation Nonqualified Deferred Compensation Plan, originally effective as of September 1, 1995, and thereafter amended, was further amended and restated in its entirety by Cypress Semiconductor Corporation (the “Company”), effective as of January 1, 2002 on behalf of itself and any designated subsidiaries and was renamed the Cypress Non-Qualified Deferred Compensation Pre-2005 Plan II (“Pre-2005 Plan II”). Also on January 1, 2002, the Cypress Non-Qualified Deferred Compensation Plan I (herein “Pre-2005 Plan I” or the “Plan”) was adopted by the Company. Pre-2005 Plan I is similar to Pre-2005 Plan II except that (i) the phantom investments are different than those available under Pre-2005 Plan II, and (ii) beneficiaries of Pre-2005 Plan I participants who die in certain situations will receive a supplemental survivor benefit. Pre-2005 Plan I and Pre-2005 Plan II were amended effective April 1, 2004 to permit outside directors who are also consultants to participate in the Plans. In order to preserve grandfather treatment under Internal Revenue Code Section 409A, the Plans were frozen to deferrals on and after January 1, 2005. This Plan has been renamed the Cypress Pre-2005 Non-Qualified Deferred Compensation Plan II, has been frozen to deferrals on and after January 1, 2005, the claims procedures under Article X have been updated to comply with ERISA, this Plan has been amended to make clear phantom Cypress stock is a permitted phantom investment alternative and the names of the Trustees have been updated, but the Plan has not been materially modified for purposes of Internal Revenue Code Section 409A. This Plan governs all Plan I deferrals made prior to January 1, 2005 and any earnings and losses thereon. Throughout, the term “Company” shall include wherever relevant any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity or investment interest, or any subsidiary of the Company, as determined by the Company.

RECITALS:

1. The Company maintains Pre-2005 Plan II for the benefit of a select group of management or highly compensated employees designated by the Company.
2. Under Pre-2005 Plan II, the Company is obligated to pay vested accrued benefits to Pre-2005 Plan II Participants and their beneficiary or beneficiaries (“Pre-2005 Plan II Beneficiaries”) from the Company’s general assets.
3. The Company has entered into an agreement (the “Trust Agreement”) with American Stock Transfer and Trust Company (the “Trustees”) under an irrevocable trust (the “Trust”) to be used in connection with Pre-2005 Plan II.
4. The Company intends to make contributions to the Trust so that such contributions will be held by the Trustees and invested, reinvested and distributed, all in accordance with the provisions of this Pre-2005 Plan II and the Trust Agreement.
5. The Company intends that the assets of the Trust shall at all times be subject to the claims of the general creditors of the Company as provided in the Trust Agreement.

6. The Company intends that the existence of the Trust shall not alter the characterization of Pre-2005 Plan II as “unfunded” for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and shall not be construed to provide income to Pre-2005 Plan II Beneficiaries under Pre-2005 Plan II prior to actual payment of the vested accrued benefits thereunder.

NOW THEREFORE, the Company does hereby establish Pre-2005 Plan II as follows and does also hereby agree that Pre-2005 Plan II shall be structured, held and disposed of as follows:

ARTICLE I

PRE-2005 PLAN II ADMINISTRATION

A. The Deferred Compensation Committee of the Company (the "Committee") administers Pre-2005 Plan II. Subject to the specific duties delegated by the Board of Directors (the "Board") to such Committee, the Committee shall be responsible for the general administration and interpretation of Pre-2005 Plan II and for carrying out its provisions. The Committee shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following powers and duties:

- (1) discretionary authority to construe and interpret the terms of Pre-2005 Plan II, and to determine eligibility and the amount, manner and time of payment of any benefits hereunder;
- (2) to prescribe forms and procedures for purposes of Pre-2005 Plan II participation and distribution of benefits;
- (3) to direct the Trustees as to the distribution of Pre-2005 Plan II assets; and
- (4) to take such other action as may be necessary and appropriate for the proper administration of Pre-2005 Plan II.

B. The Committee may adopt such rules, regulations and bylaws and may make such decisions as it deems necessary or desirable for the proper administration of Pre-2005 Plan II. Any rule or decision that is not inconsistent with the provisions of Pre-2005 Plan II shall be conclusive and binding upon all persons affected by it, and there shall be no appeal from any ruling by the Committee that is within its authority, except as otherwise provided herein.

C. The Committee shall have the power to (i) identify investment choices for the Trust Fund; and (ii) appoint or employ agents, recordkeepers and advisors to assist the Committee in discharging its duties under Pre-2005 Plan II.

ARTICLE II

ELIGIBILITY, PARTICIPATION, AND BENEFICIARY DESIGNATION

A. Eligible Participants. The following categories of service providers ("Eligible Participants") shall be eligible to participate in Pre-2005 Plan II: (i) employees who are eligible to participate in the Company's Key Employee Bonus Plan, (ii) any other employee or category of employee that is approved by the CEO as eligible to participate in Pre-2005 Plan II, and (iii) non-employee members of the Board of Directors who are also paid consultants to the Company. The Committee reserves the right to modify the definition of Eligible Participant at any time with the approval of the CEO. Any Eligible Participant who has commenced participation in Pre-2005 Plan II shall be referred to in this Pre-2005 Plan II as a "Participant." There shall be no new Participants in the Pre-2005 Plan II on and after January 1, 2005.

B. Participation. Prior to January 1, 2005, each Eligible Participant may elect to commence participation in Pre-2005 Plan II by completing a Cypress Non-Qualified Deferred Compensation Pre-2005 Plan II participation agreement and deferral election no later than the last day of his or her Election Period. For purposes of the foregoing, an Eligible Participant's Election Period shall be defined as: (i) for newly Eligible Participants, the thirty (30) day period measured from the date that the Company notifies in writing such Eligible Participant of his or her eligibility to participate in Pre-2005 Plan II; and (ii) for all other Eligible Participants, no later than the due date for the enrollment forms during the annual open enrollment period which is from December 1st to December 31st of each year (the "Annual Open Enrollment Period") prior to the beginning of Plan Year for which the election is effective (the calendar year is the "Plan Year"). Elections shall remain in effect for successive Plan Years until revoked or modified by the Participant in a manner consistent with the rules of Pre-2005 Plan II and the Committee.

C. Beneficiary Designation. Prior to January 1, 2005, each Participant, prior to entering Pre-2005 Plan II, may designate a beneficiary or beneficiaries to receive the remainder of any interest of the Participant under Pre-2005 Plan II in the event of the Participant's death. A Participant may change his or her beneficiary designation at any time by submitting a complete and approved form of beneficiary designation (including dated spousal consent, if required pursuant to the beneficiary designation form) to the Committee (or its designee). Each beneficiary designation shall be in a form prescribed by the Committee and will be effective only when filed with the Committee (or its designee) during the Participant's lifetime. Each beneficiary designation filed with the Committee will cancel all previously filed beneficiary designations. In the absence of a valid designation, or if no designated beneficiary survives the Participant, the Participant's interest shall be distributed to the Participant's estate.

ARTICLE III

PRE-2005 PLAN II CONTRIBUTIONS AND ALLOCATIONS

A. Participant Deferrals. Prior to January 1, 2005, each Participant participating in Pre-2005 Plan II shall execute a participation agreement and deferral election (the "Deferral Election") authorizing the Company to withhold a percentage amount of the Participant's Compensation which would otherwise be paid to the Participant with respect to services rendered. Compensation under Pre-2005 Plan II is defined as the annual base salary (or, for non-employee directors, cash consulting fees, including KEBP bonus), cash bonuses (including key employee bonus, new product bonus and any other cash bonuses), and any cash commissions payable to the Participant in connection with the Participant's services to the Company, including all amounts which a Participant elects to have the Company contribute to Pre-2005 Plan II on his or her behalf as a deferral contribution ("Compensation"). A deferral percentage is applied to Compensation after all other applicable payroll deductions (other than a 401(k) wrap) have been applied. Depending on the Participant's election and the timing of the deferral, the deferral percentage may also include a SAVE component. The Committee may, in its discretion, establish in the Deferral Election minimum and maximum levels of Compensation that may be deferred pursuant to Pre-2005 Plan II. If the elected deferrals would not leave sufficient cash Compensation to satisfy required deductions under other Company Plans (e.g., 401(k) Plan, group health insurance plan), then the requested deferrals under this

Pre-2005 Plan II may be reduced as necessary to satisfy those deductions. Compensation deferrals made by a Participant under this Pre-2005 Plan II shall be held as an asset of the Company and the Company intends to deposit the amounts deferred into the Trust; provided, however, if a Participant elects—pursuant to his or her Deferral Election—to transfer designated amounts of Compensation to the Cypress Semiconductor 401(k) Employee Savings Plan and related trust, then such amounts shall be held in the Trust until distributed in accordance with Section VII(B).

B. Election Changes. Prior to January 1, 2005, a Participant may, in such form and at such time or times as the Committee may prescribe, discontinue or modify deferral of future Compensation. The Committee has the power to establish uniform and nondiscriminatory rules and from time to time to modify or change such rules governing the manner and method by which Compensation deferral elections shall be made, as well as the manner and method by which Compensation deferral elections may be changed or discontinued temporarily or permanently. All Compensation deferral contributions shall be authorized by the Participant in writing, made by payroll deduction, deducted from the Participant's Compensation without reduction for any taxes or withholding (except to the extent required by law or regulation) and paid over to the Trust by the Company. Notwithstanding the foregoing, each Participant shall remain liable for any and all employment taxes owing with respect to such Participant's Compensation deferral contributions.

C. Cessation of Eligible Status. Prior to January 1, 2005, in the event a Participant ceases to be an Eligible Participant while also a participant in Pre-2005 Plan II, such individual may continue to make Compensation deferral contributions under Pre-2005 Plan II through the end of the payroll period in which the individual ceases to be an Eligible Participant. Thereafter, such individual shall not make any further Compensation deferral contributions to Pre-2005 Plan II unless or until he or she again meets the eligibility requirements of Article II above.

D. Company Discretionary Contributions. Prior to January 1, 2005, the Company may, in its sole discretion, make discretionary contributions to the accounts of one or more Participants at such times and in such amounts as the Board of the Company shall determine.

E. Allocations. The Compensation deferral contributions and any Company contributions made under Pre-2005 Plan II on behalf of a Participant shall be credited to the Participant's Account. The Committee shall establish and maintain separate subaccounts as it determines to be necessary and appropriate for the proper administration of Pre-2005 Plan II. The Committee may cause the Trustees to maintain and invest separate asset accounts corresponding to each Participant account. Each Participant Account consists of the aggregate interest of the Participant under Pre-2005 Plan II (and in the Trust Fund), as reflected in the records maintained by the Company for such purposes.

F. Plan to Plan Transfers. Subject to the Committee's discretion, during the annual open enrollment period Participants shall be allowed to elect to transfer their deemed investment accounts from Pre-2005 Plan II to Plan I, subject to such limitations and reallocation requirements as the Committee, in its sole discretion, determines to be appropriate. The plan to plan transfers shall be effective as of the first day of the following Plan Year.

ARTICLE IV

VESTING

A. Compensation Deferral Contributions. The value of a Participant's Account attributable to Participants' Compensation deferral contributions shall always be fully vested and nonforfeitable.

B. Company Contributions. The value of a Participant's Account attributable to any Company contributions pursuant to Article III.D shall vest at such time or times as the Board may specify in connection with any such contributions. In the absence of Board specification, a Participant's interest in Company contributions shall be fully vested and nonforfeitable. Upon termination of a Participant's employment (or for outside director Participants, upon the later of their termination of service as a Board member or consultant) with the Company for any reason, any portion of the Participant's Account that is not then vested (including allocable earnings, as determined by the Committee), shall be forfeited. Unless otherwise determined by the Board or the Committee, forfeitures shall be used to satisfy the Company's obligation to remit contributions to the Trust under Pre-2005 Plan II.

ARTICLE V

GENERAL DUTIES

A. Committee Duties. The Committee will provide the Trustees with a copy of any future amendment to this Pre-2005 Plan II promptly upon its adoption. The Committee may from time to time hire outside consultants, accountants, actuaries, legal counsel or recordkeepers to perform such tasks as the Committee may from time to time determine.

B. Trustees' Duties. The Trustees shall invest and reinvest the Trust Fund as provided in the Trust Agreement. The Trustees shall collect the income on the Trust Fund, and make distributions therefrom, as provided in this Pre-2005 Plan II and in the Trust Agreement.

C. Company Contributions. While Pre-2005 Plan II remains in effect, and prior to a Change in Control, as defined below, the Company shall make contributions to the Trust Fund at least once each quarter. The amount of any quarterly contributions shall be at the discretion of the Company. At the close of each calendar year, the Company shall make an additional contribution to the Trust Fund to the extent that previous contributions to the Trust Fund for the current calendar year are not equal to the total of the Compensation deferrals made by each Participant plus Company discretionary contributions, if any, accrued, as of the close of the current calendar year. The Trustees shall not be liable for any failure by the Company to provide contributions sufficient to pay all accrued benefits under Pre-2005 Plan II in full in accordance with the terms of Pre-2005 Plan II.

D. Department of Labor Determination. In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees, according to a determination made by the Department of Labor, the Committee will take whatever

steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

ARTICLE VI

PARTICIPANTS' ACCOUNTS

A. Separate Accounts. The Committee shall open and maintain a separate Account for each Participant. Each Participant's Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to this Pre-2005 Plan II.

B. Timing of Account Credit. Amounts deferred under Plan I shall be credited to a Participant's Account within five business days following the date upon which such amounts would otherwise have been paid to the Participant.

C. Statement of Accounts. As soon as practicable after the end of each calendar year the Committee shall furnish to each Participant a statement of Account, determined as of the end of such calendar year. Upon the discovery of any error or miscalculation in an Account, the Committee shall correct it, to the extent correction is practically feasible; provided, however, that any such statement of Account shall be considered to reflect accurately the status of the Participant's Account for all purposes under Pre-2005 Plan II unless the Participant reports a discrepancy to the Committee within six (6) months after receipt of the statement. The Committee shall have no obligation to make adjustments to a Participant's Account for any discrepancy reported to the Committee more than six (6) months after receipt of the statement, or for a discrepancy caused by the Participant's error. Statements to Participants are for reporting purposes only, and no allocation, valuation or statement shall vest any right or title in any part of the Trust Fund, nor require any segregation of Trust assets, except as is specifically provided in this Pre-2005 Plan II.

D. Distribution of Accounts. Payment to a Participant shall be based on the value of the vested portion of the Participant's Account as of the Valuation Date immediately preceding the date of distribution plus any contribution subsequently credited to such Account and less any distributions subsequently made from the Account.

ARTICLE VII

PAYMENTS TO A PRE-2005 PLAN II PARTICIPANT OR BENEFICIARY

A. General. Payments of vested accrued benefits to Pre-2005 Plan II Beneficiaries from the Trust shall be made in accordance with the distribution event specified by the Participant in the Deferral Election between the Company and the Participant (the "Distribution Event"). Except as otherwise expressly provided in the Participant's Deferral Election and as set forth in Article VII below, no distribution shall be made or commenced prior to the time and manner as set forth in the Participant's Deferral Election.

B. Upon Retirement or Total Disability. If a Participant's employment (or for outside director Participants, service as a Board member or consultant) with the Company terminates (i) by virtue of Participant's Total Disability (as defined under Section 22(e)(3) of the Internal Revenue Code and as determined in the sole discretion of the Committee), or (ii) pursuant to Participant's retirement (a) at age 65 or greater, or (b) at age 55 or greater but with at least ten full years of continuous employment (or for outside director Participants, ten full years of continuous service as a Board member or consultant) by the Company (either case shall be referred to in this Pre-2005 Plan II as "Retirement"), then Participant shall receive, pursuant to the election selected in his or her timely submitted Deferral Election a distribution of his or her Account balance in (i) a lump-sum, (ii) a partial lump-sum combined with up to fifteen years of annual payments, or (iii) two to fifteen years of annual payments, each such payment equal to $1/n$ of the Participant's vested accrued benefit where n is the number of installments remaining to be paid, (an "Annual Payment").

C. Upon Death. If a Participant's employment (or for outside director Participants, service as a Board member or consultant) terminates due to his or her death, or if a Participant dies while on a leave of absence where re-employment (or for outside director Participants, their re-commencement of service as a Board member or consultant) with the Company is not guaranteed by contract or statute, then the Participant's beneficiary will receive their Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant's Deferral Election.

D. Change of Control. In the event of a "Change of Control," the Committee may, in its sole discretion, decide to distribute all Account balances in a lump-sum promptly following the Change of Control. For purposes of this Pre-2005 Plan II, a "Change in Control" shall be deemed to have occurred if any person (including a "Group" as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) acquires shares of the Company either (i) having a majority of the total number of votes that may be cast for the election of directors of the Company or (ii) possessing, directly or indirectly, the power to control the direction of management or policies of the Company; provided, however, that no Change of Control shall be deemed to occur in the event of a merger, consolidation or reorganization of the Company where the shareholders of the Company are substantially the same as before such merger, consolidation or reorganization. The Trustees shall have no responsibility to determine whether a Change in Control has occurred and shall be advised of such event by the Company.

E. Prior to Retirement or for Cause. In the event a Participant is terminated involuntarily for Cause (as determined by the Committee in its sole discretion), or in the event that his or her employment (or for outside director Participants, the later of termination of service as a Board member or consultant) terminates voluntarily prior to Retirement, then his or her Account balance shall be distributed in a lump-sum within 60 days following such termination.

F. Involuntary Termination Due to Company Downsizing, Restructuring or Adverse Business Conditions. In the event a Participant is terminated due to a Company down-sizing or restructuring or adverse business conditions (as determined by the Committee in its sole discretion), then the Participant will receive their Account balance in either a lump-sum or in five Annual Payments, as specified in the Participant's Deferral Election.

G. Scheduled In-Service Distribution. A Participant may elect, as provided in his or her Participant Deferral Election, to receive one or more scheduled in-service (i.e., while employed by the Company, or, for outside director Participants, while serving as a Board member or consultant) distributions from their Account balance without an early withdrawal penalty. Any such distributions must be at least two full Plan Years following the date of the Participant's Deferral Election. Each scheduled in-service distribution may be postponed (but only once) at least one full year in advance of the scheduled distribution to a later date or cancelled by submitting the appropriate form to the Company or its designated administrator. If a Participant specifies that a dollar amount will be distributed and the Account balance is less than the dollar amount, then the entire Account will be distributed. A Participant may increase or decrease the amount or percentage specified for an in-service distribution by submitting the appropriate form at any time prior to twelve months in advance of the scheduled in-service distribution. In the event a Participant terminates employment (or for outside director Participants, the later of termination of service as a Board member or consultant) with the Company prior to a scheduled in-service distribution, the in-service distribution election shall be without further force and effect and the applicable termination distribution provisions of the plan and the Participant's Deferral Election shall control.

H. Method of Distribution. Except as specified otherwise in this Section VII, payment to any Pre-2005 Plan II Beneficiary Pursuant to Pre-2005 Plan II shall be made (i) in accordance with the Deferral Election executed by the Participant, (ii) in cash, (iii) in a lump sum or in Annual Payments. Notwithstanding the foregoing, if elected by the Participant in his or her Deferral Election and if directed by the Committee, the Trustees shall pay to the trustee of the Cypress Semiconductor 401(k) Employee Savings Plan the aggregate amount of elected transfers, but only to the extent that the transferred amount would constitute a deductible employer contribution pursuant to Code Sections 401 and 404 for the year for which they were initially contributed to Pre-2005 Plan II. The Committee will make the determination as to whether such amounts constitute deductible contributions pursuant to Code Section 401 and 404.

I. Distributions From Trust; Withholding. Unless the Trustees do not require this, with respect to each Participant, the Company shall deliver to the Trustees a schedule (the "Payment Schedule") that indicates the amounts payable in respect of the Participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to the Trustees for determining the amounts so payable, the form in which such amount is to be paid and the time of commencement for payment of such amounts. The Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the first date on which a payment is to be made to the Participant. Any change to a Payment Schedule shall be delivered to the Trustees not fewer than 15 days prior to the date on which the first payment is to be made in accordance with the changed Payment Schedule. Except as otherwise provided herein, the Trustees shall cause the Company or the Trust to make payments to Participants and their beneficiaries in accordance with such Payment Schedule. The Trustees shall make provisions for the reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of Pre-2005 Plan II benefits and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by the Company, it being understood among the parties hereto that the Company shall on a timely basis provide the Trustees specific information as

to the amount of taxes from the Trustees and properly pay and report such withheld taxes from the Trustees and properly pay and report such amounts to the appropriate taxing authorities.

J. Certain Distributions. In case of any distribution to a minor or to a legally incompetent person, the Committee may (1) direct the Trustees to make the distribution to his legal representative, to a designated relative, or directly to such person for his benefit, or (2) instruct the Trustees to use the distribution directly for his support, maintenance, or education. The Trustees shall not be required to oversee the application, by any third party, of any distributions made pursuant to this Article.

K. IRS Determination. Notwithstanding any other provisions of this Pre-2005 Plan II, if any amounts held in the Trust are found in a "determination" (within the meaning of Section 1313(a) of the Internal Revenue Code of 1986, as amended (the "Code")), to have been includible in the gross income of any Trust Beneficiary prior to payment of such amounts from the Trust, the Trustees shall, as soon as practicable pay such amounts to the Trust Beneficiary, as directed by the Company. For purposes of this Section, the Trustees shall be entitled to written notice from the Committee that a determination described in the preceding sentence has occurred and to receive a copy of such notice. The Trustees shall have no responsibility until so advised by the Committee.

ARTICLE VIII

HARDSHIP DISTRIBUTION

If a Participant suffers a financial hardship, as such term is defined in the Cypress Semiconductor 401(k) Plan, the Participant may, with the approval of the Committee, receive an in-service distribution from his or her Account equal to the amount needed to satisfy such hardship. In the event a Participant receives a hardship distribution pursuant to this Article, such Participant shall be excluded from participating in Plan I and Pre-2005 Plan II for the balance of the Plan Year in which the Participant received payment pursuant to a request for a hardship distribution. A Participant requesting a hardship distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

ARTICLE IX

ON-DEMAND DISTRIBUTIONS

A. On-Demand Distribution While Providing Service. At any time while a Participant in Pre-2005 Plan II while employed by (or, for outside director Participants, while providing service as a Board member or Consultant to) the Company, a Participant may request to receive a distribution of not less than twenty-five percent (25%) of the Participant's Account. Such on-demand distribution shall be subject to a penalty equal to six percent (6%) of the amount distributed to the Participant as an on-demand distribution. In the event a Participant receives an on-demand distribution pursuant to this Article prior to January 1, 2003, such Participant shall not be eligible to participate in Pre-2005 Plan II (i) for the Plan Year in which the Participant received payment

pursuant to a request for an on-demand distribution, and (ii) for the Plan Year following the Plan Year in which the Participant received payment pursuant to a request for an on-demand distribution. In the event a Participant receives an on-demand distribution pursuant to this Article on or after January 1, 2003, such Participant shall not be eligible to participate in Plan I for the greater of (i) six months, or (ii) the remainder of the Plan Year in which the Participant received payment pursuant to a request for an on-demand distribution. Moreover, a Participant may not receive an on-demand distribution more frequently than once every two years. A Participant requesting an on-demand distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

B. On-Demand Distribution Following Employment. Following a Participant's termination of employment (or for outside director Participants, the later of termination of service as a Board member or consultant), a Participant who is otherwise scheduled to receive a payment over time may request to receive a distribution of the balance of his or her Account. Such on-demand distribution shall be subject to a penalty equal to six percent (6%) of the amount distributed to the Participant as an on-demand distribution. A Participant requesting an on-demand distribution shall apply for the payment in writing on a form approved by the Committee and shall provide such additional information as the Committee may require.

ARTICLE X

CLAIMS PROCEDURE

1. Claims and Review Procedures.

(a) Purpose. Every Participant or Beneficiary (or his or her representative who is authorized in writing by the Claimant to act on his or her behalf) (hereinafter collectively, "Claimant") shall be entitled to file with the Committee (and subsequently with the individual(s) designated to review claims appealed after being initially denied by the Committee (the "Review Panel")) a written claim for benefits under the Plan. The Committee and Review Panel shall each be able to establish such rules, policies and procedures, consistent with ERISA and the Plan, as it may deem necessary or appropriate in carrying out its duties and responsibilities under this Article 10. In the case of a denial of the claim, the Committee or Review Panel, as applicable, shall provide the Claimant with a written or electronic notification that complies with Department of Labor Regulation Section 2520.104b-1(c)(1).

(b) Denial of Claim. If a claim is denied by the Committee (or its authorized representative), in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

- (i) specific reason(s) for the denial;
- (ii) reference to the specific Plan provision(s) on which the denial is based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why the material or information is necessary; and

(iv) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following a denial on review (as set forth in Section 10(d) below).

The denial notice shall be furnished to the Claimant no later than ninety (90)-days after receipt of the claim by the Committee, unless the Committee determines that special circumstances require an extension of time for processing the claim. If the Committee determines that an extension of time for processing is required, then notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90)-day period. In no event shall such extension exceed a period of ninety (90)-days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(c) Claim Review Procedure. The Claimant may request review of the denial at any time within sixty (60) days following the date the Claimant received notice of the denial of his or her claim. The Committee shall afford the Claimant a full and fair review of the decision denying the claim and, if so requested, shall:

(i) provide the Claimant with the opportunity to submit written comments, documents, records and other information relating to the claim for benefits;

(ii) provide that the Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information (other than documents, records and other information that is legally-privileged) relevant to the Claimant's claim for benefits; and

(iii) provide for a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) If the claim is subsequently also denied by the Review Panel, in whole or in part, then the Claimant shall be furnished with a denial notice that shall contain the following:

(i) specific reason(s) for the denial;

(ii) reference to the specific Plan provision(s) on which the denial is based; and

(iii) an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following the denial on review.

(e) The decision on review shall be issued within sixty (60) days following receipt of the request for review. The period for decision may, however, be extended up to one hundred twenty (120) days after such receipt if the Review Panel determines that special circumstances require extension. In the case of an extension, notice of the extension shall be furnished to the Claimant prior to the expiration of the initial sixty (60)-day period. In no event shall such extension exceed a period of sixty (60) days from the end of such initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the benefits determination.

(f) Special Procedure for Claims Due to Disability. To the extent an application for distribution as a result of a Disability requires the Committee or the Review Panel, as applicable, to make a determination of Disability under the terms of the Plan, then such determination shall be subject to all of the general rules described in this Article, except as they are expressly modified by this Section.

(i) The initial decision on the claim for a Disability distribution will be made within forty-five (45) days after the Plan receives the Claimant's claim, unless special circumstances require additional time, in which case the Committee will notify the Claimant before the end of the initial forty-five (45)-day period of an extension of up to thirty (30) days. If necessary, the Committee may notify the Claimant, prior to the end of the initial thirty (30)-day extension period, of a second extension of up to thirty (30) days. If an extension is due to the Claimant's failure to supply the necessary information, then the notice of extension will describe the additional information and the Claimant will have forty-five (45) days to provide the additional information. Moreover, the period for making the determination will be delayed from the date the notification of extension was sent out until the Claimant responds to the request for additional information. No additional extensions may be made, except with the Claimant's voluntary consent. The contents of the notice shall be the same as described in Section 10(b) above. If a disability distribution claim is denied in whole or in part, then the Claimant will receive notification, as described in Section 10(b).

(g) If an internal rule, guideline, protocol or similar criterion is relied upon in making the adverse determination, then the denial notice to the Claimant will either set forth the internal rule, guideline, protocol or similar criterion, or will state that such was relied upon and will be provided free of charge to the Claimant upon request (to the extent not legally-privileged) and if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion or limit, then the Claimant will be provided a statement either explaining the decision or indicating that an explanation will be provided to the Claimant free of charge upon request.

(h) Any Claimant whose application for a Disability distribution is denied in whole or in part, may appeal the denial by submitting to the Review Panel a request for a review of the application within one hundred and eighty (180) days after receiving notice of the denial. The request for review shall be in the form and manner prescribed by the Review Panel. In the event of such an appeal for review, the provisions of Section 10(c) regarding the Claimant's rights and responsibilities shall apply. Upon request, the Review Panel will identify any medical or vocational expert whose advice was obtained on behalf of the Review Panel in connection with the denial,

without regard to whether the advice was relied upon in making the determination. The entity or individual appointed by the Review Panel to review the claim will consider the appeal de novo, without any deference to the initial denial. The review will not include any person who participated in the initial denial or who is the subordinate of a person who participated in the initial denial.

(i) If the initial Disability distribution denial was based in whole or in part on a medical judgment, then the Review Panel will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, and who was neither consulted in connection with the initial determination nor is the subordinate of any person who was consulted in connection with that determination; and upon notifying the Claimant of an adverse determination on review, include in the notice either an explanation of the clinical basis for the determination, applying the terms of the Plan to the Claimant's medical circumstances, or a statement that such explanation will be provided free of charge upon request.

(j) A decision on review shall be made promptly, but not later than forty-five (45) days after receipt of a request for review, unless special circumstances require an extension of time for processing. If an extension is required, the Claimant will be notified before the end of the initial forty-five (45)-day period that an extension of time is required and the anticipated date that the review will be completed. A decision will be given as soon as possible, but not later than ninety (90) days after receipt of a request for review. The Review Panel shall give notice of its decision to the Claimant; such notice shall comply with the requirements set forth in paragraph (h) above. In addition, if the Claimant's claim was denied based on a medical necessity or experimental treatment or similar exclusion, then the Claimant will be provided a statement explaining the decision, or a statement providing that such explanation will be furnished to the Claimant free of charge upon request. The notice shall also contain the following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

ARTICLE XI

MISCELLANEOUS

A. Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interests in any specific property or assets of the Company. No assets of the Company shall be held in any way as collateral security for the fulfilling of the obligations of the Company under this Pre-2005 Plan II. Any and all of the assets of the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. The obligation of the Company under Pre-2005 Plan II shall be merely that of an unfunded and unsecured promise to pay money in the future, and the rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

B. Restriction Against Assignment. The Company shall pay all amounts payable hereunder only to the person or persons designated by Pre-2005 Plan II and not to any other person or corporation. No part of a Participant's Account shall be liable for the debts, contracts, or

engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Account be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from Pre-2005 Plan II, voluntarily or involuntarily, the Committee, in its sole and absolute discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

C. Withholding. There shall be deducted from each payment made under Pre-2005 Plan II, all taxes that are required to be withheld by the Company, as applicable, in respect to such payment. The Company shall have the right to reduce any payment by the amount of cash sufficient to provide the amount of said taxes.

D. Legal Representation. The Company will reimburse all reasonable legal fees and expenses incurred by a Pre-2005 Plan II Beneficiary in seeking to obtain or enforce any right or benefit provided by Pre-2005 Plan II. This reimbursement right applies only to claims made after a Change of Control and only for fees and expenses incurred after the Pre-2005 Plan II Beneficiary has exhausted the claims and appeals procedure specified in Article IX. No reimbursement shall be made if the request is found to be frivolous by a court of competent jurisdiction.

E. Amendment, Modification, Suspension or Termination. The Committee may amend, modify, suspend or terminate Pre-2005 Plan II in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Account, provided that a termination or suspension of Pre-2005 Plan II or any Pre-2005 Plan II amendment or modification that will significantly increase costs to the Company shall be approved by the Board. In the event that this Pre-2005 Plan II is terminated, the timing of the disposition of the amounts credited to a Participant's Account shall occur in accordance with Article VII, subject to earlier distribution at the discretion of the Committee.

F. Governing Law. This Pre-2005 Plan II shall be construed, governed and administered in accordance with the internal substantive laws of the State of California (other than the choice of law principles).

G. Receipt or Release. Any payment to a Pre-2005 Plan II Beneficiary in accordance with the provisions of Pre-2005 Plan II shall, to the extent thereof, be in full satisfaction of all claims against the Committee and the Company. The Committee may require such Pre-2005 Plan II Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

H. Payments on Behalf of Persons under Incapacity. In the event that any amount becomes payable under Pre-2005 Plan II to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its

sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee and the Company.

I. No Employment or Other Rights. Participation in this Pre-2005 Plan II shall not confer upon any person any right to be employed by the Company (or for outside director Participants, any right to remain in service as a Board member or consultant) or any other right not expressly provided hereunder.

J. Headings, etc. Not Part of Agreement. Headings and subheadings in this Pre-2005 Plan II are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

K. Successorship. This Pre-2005 Plan II shall be binding upon and inure to the benefit of any successor to the Company or its business as the result of merger, consolidation, reorganization, transfer of assets or otherwise, and any subsequent successor thereto; and any such successor shall be deemed to be the "Company" under this Pre-2005 Plan II. In the event of any such merger, consolidation, reorganization, transfer of assets or other similar transaction, the successor to the Company or its business or any subsequent successor thereto shall promptly notify the Trustees in writing of its successorship and furnish the Trustees with the name or names of any person or persons authorized to act for the Company. In no event shall any such transaction described herein suspend or delay the rights of Pre-2005 Plan II Beneficiaries to receive their vested accrued benefits hereunder.

L. Pre-2005 Plan II Document. This document, the prospectus to Pre-2005 Plan II, the Deferral Election, certain definitions expressly mentioned herein that are defined in the Cypress Semiconductor Employee 401(k) Plan, the Trust Agreement, and any other documents identified by the Committee, comprise Plan documents for Pre-2005 Plan II.

M. Definitions.

(1) "*Account*" means the bookkeeping account established to reflect the interest of a Participant or beneficiary in Pre-2005 Plan II.

(2) "*Cause*" means: (i) Participant's continued failure to substantially perform Participant's principal duties and responsibilities (other than as a result of disability or death) after thirty (30) days written notice from the Company specifying the nature of Participant's failure and demanding that such failure be remedied; (ii) Participant's material and continuing breach of his or her obligations to the Company set forth in any written agreement between the Company and Participant or any written policy of the Company after thirty (30) days written notice from the Company specifying the nature of Participant's breach and demanding that such breach be remedied (unless such breach by its nature cannot be cured, in which case notice and an opportunity to cure shall not be required); (iii) Participant's arrest for a felony, fraud or an act of moral turpitude; or (iv) act or acts of dishonesty undertaken by Participant and intended to result in personal enrichment of Participant at the expense of the Company

(3) “*Deferral Election*” means the documents that encompass the (i) Deferred Compensation Plans’ Beneficiary Designation, (ii) Deferred Compensation Plans’ Distribution Election Form, (iii) Deferred Compensation Plans’ Participation Agreement and Deferral Election, (iv) the Deferred Compensation Pre-2005 Plan II Manulife Investment Allocation Form for Future Deferrals, (v) the Deferred Compensation Pre-2005 Plan II Manulife Investment Allocation Change Form, (vi) the In-Service Distribution Change Form, (vii) the Accelerated Distribution Election Form, (viii) the Election to Stop Contribution Form, and (ix) any other documents designated by the Committee as encompassing the Deferral Election.

(4) “*Involuntary Termination*” means a Participant’s termination of employment (or for outside director Participants, termination of service as a consultant) with the Company because of the Company’s downsizing and/or restructuring, as determined in the sole discretion of the Committee.

(5) “*OASDI*” means the Old Age, Survivors and Disability Insurance portion of FICA (the “Federal Insurance Contributions Act”).

(6) “*Plan Year*” means the calendar year.

(7) “*SAVE*” means “Set Aside Voluntary Earnings” and refers to the Participant’s election to increase the rate of his or her Plan deferral by an amount equal to the amount of OASDI that would have been withheld from their Compensation had they not reached the OASDI wage base cap (e.g., \$87,900 in 2004) in a particular calendar year.

(8) “*Valuation Date*” means, except as otherwise specified by the Committee, (i) for distributions hereunder and for allocations of deferrals and re-allocations of amounts previously deferred, that the Participant’s Account shall be valued as of the last business day of the week preceding the transaction, and (ii) for permitted Pre-2005 Plan II to Plan I transfers, the last business day of the Plan Year.

**CYPRESS SEMICONDUCTOR
CORPORATION**

By: _____

(Title) _____

Date: _____, 2009

Subsidiaries of Cypress Semiconductor Corporation

| Name: | Jurisdiction of Incorporation or Formation: |
|---|---|
| 5200 Ben White Condominiums Association, Inc. | Texas (USA) |
| AgigA Tech (Chengdu) LLC | China |
| AgigA Tech (Mauritius) LLC | Mauritius |
| AgigA Tech, Inc. | Delaware (USA) |
| Cirrent, LLC | Delaware (USA) |
| Cypress Innovates G.K. | Japan |
| Cypress International, LLC | Delaware (USA) |
| Cypress Manufacturing, Ltd. | Cayman Islands |
| Cypress Manufacturing, Ltd. - Philippines Branch | Philippines |
| Cypress Semiconductor (Canada), Inc. | Canada |
| Cypress Semiconductor (France) SAS | France |
| Cypress Semiconductor (Malaysia) Sdn. Bhd. | Malaysia |
| Cypress Semiconductor (Mauritius) LLC | Mauritius |
| Cypress Semiconductor (Scandinavia) AB | Sweden |
| Cypress Semiconductor (Scandinavia) Aktiebolag filial i Finland | Finland |
| Cypress Semiconductor (Switzerland) Sarl | Switzerland |
| Cypress Semiconductor (Thailand) Limited | Thailand |
| Cypress Semiconductor (UK) Limited | United Kingdom |
| Cypress Semiconductor GmbH | Germany |
| Cypress Semiconductor Hong Kong Private Limited | Hong Kong |
| Cypress Semiconductor International Sales B.V. | Netherlands |
| Cypress Semiconductor International, Inc. | Delaware (USA) |
| Cypress Semiconductor Ireland | Ireland |
| Cypress Semiconductor Ireland Limited | Ireland |
| Cypress Semiconductor Italia S.r.l. | Italy |
| Cypress Semiconductor Korea Ltd. | South Korea |
| Cypress Semiconductor México S. de R.L. de C.V. | Mexico |
| Cypress Semiconductor Philippines Headquarters, Ltd. | Cayman Islands |
| Cypress Semiconductor Singapore Pte. Ltd | Singapore |
| Cypress Semiconductor Singapore Pte. Ltd. Taiwan Branch | Taiwan, Province Of China |
| Cypress Semiconductor Technology (Shanghai) Co., Ltd. | China |
| Cypress Semiconductor Technology (Shanghai) Co., Ltd. Beijing Branch | China |
| Cypress Semiconductor Technology (Shanghai) Co., Ltd. Chengdu Branch | China |
| Cypress Semiconductor Technology (Shanghai) Co., Ltd. Shenzhen Branch | China |
| Cypress Semiconductor Technology India Private Limited | India |
| Cypress Semiconductor Technology Ltd. | Cayman Islands |
| Cypress Semiconductor Ukraine | Ukraine |
| Cypress Semiconductor World Trade Corp. | Cayman Islands |
| Cypress Semiconductors Ltd. | Israel |
| Cypress Venture Fund I, L.L.C. | Delaware (USA) |
| Nihon Cypress G.K. | Japan |
| Ramtron International Corporation | Delaware (USA) |
| Ramtron LLC | Colorado (USA) |
| Saifun (BVI) Ltd. | British Virgin Islands |
| Spansion Asia Holdings (Singapore) Pte. Ltd. | Singapore |
| Spansion Inc. | Delaware (USA) |
| Spansion International AM, Inc. | Delaware (USA) |
| Spansion International IP, Inc. | Cayman Islands |
| Spansion International Trading, Inc. | Delaware (USA) |
| Spansion International, Inc. | Delaware (USA) |
| Spansion LLC | Delaware (USA) |

Spansion Singapore Pte. Ltd.
Spansion Technology LLC

Singapore
Delaware (USA)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-225759, 333-221498, 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 February 27, 2019 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

February 27, 2019

**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: February 27, 2019

By: _____ /s/ HASSANE EL-KHOURY
HASSANE EL-KHOURY
President and Chief Executive Officer

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: February 27, 2019

By: _____ /s/ THAD TRENT

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

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 December 30, 2018, 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: February 27, 2019

By: /s/ HASSANE EL-KHOURY

HASSANE EL-KHOURY

President and Chief Executive Officer

