

**CYPRESS SEMICONDUCTOR CORPORATION
CHARTER OF THE
COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS**

I. PURPOSE

The purpose of the Compensation Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Cypress Semiconductor Corporation (the “Company”) in discharging its responsibilities with respect to:

A. The formulation, implementation, review, and modification of the compensation of the Company's directors and Senior Executives (as defined below);

B. The formulation, implementation, review and modification, as necessary, of the Company's compensation programs, philosophies and practices; and

C. Reviewing and discussing with management the Company's Compensation Discussion and Analysis (CD&A) to be included in the Company's proxy statement or annual report on Form 10-K and issuing any report required to be prepared by the Compensation Committee for inclusion in the Company's proxy statement or annual report on Form 10-K, as required by rules of the Securities and Exchange Commission (the “SEC”).

For purposes of this Charter, “Executive Officers” shall include any persons designated by the Board as an “executive officer” under Rule 3b-7 of the Securities Exchange Act of 1934 (“Exchange Act”) or a Section 16 “officer” under Rule 16a-1(f) under the Exchange Act.¹ For purposes of this Charter, “Other Officers” shall include any senior level employees who report directly to the Chief Executive Officer of the Company who are not Executive Officers. Executive Officers and Other Officers shall be collectively referred to as the “Senior Executives”.

II. STRUCTURE AND OPERATIONS

Composition and Qualifications

The Committee shall be comprised of two or more members of the Board, each of whom is determined by the Board to satisfy the requirements for independence under the rules of the SEC and set out in the Nasdaq Stock Market (“NASDAQ”) Listing Standards. In determining the independence of any member who will serve on the Committee, the Board must consider all factors specifically relevant to determining whether the member has a relationship to the Company which is material to that member's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (i) the source of compensation of such member, including any consulting, advisory or other compensatory fee paid by the Company to such

¹ The Company's list of Section 16 officers and executive officers should be identical; provided, however, that the Company may determine that the principal accounting officer or controller does not have a policy-making function and therefore is not an executive officer under Rule 3b-7.

member; and (ii) whether such member is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Additionally, no director may serve on the Committee unless the director (i) is a "Non-employee Director" for purposes of Rule 16b-3 under the Exchange Act, and (ii) satisfies the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code.

Appointment and Removal

The members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by the Board.

Chairman

Unless a Chairman of the Committee is elected by the Board, the Committee shall designate a Chairman by majority vote of the members. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

Delegation to Subcommittees

In fulfilling its responsibilities, the Committee may, to the extent permitted under applicable laws and regulations, the rules of NASDAQ, the SEC and the Internal Revenue Code, and the Company's Certificate of Incorporation and Bylaws, delegate any or all of its responsibilities to a subcommittee of the Committee. For example, the Committee may delegate authority for overseeing the administration of the Company's 401(k) plan to a subcommittee; provided that any such subcommittee shall report to the Committee at least annually, or more frequently if warranted.

Delegation of Authority with Respect to Approval of Certain Equity Grants

The Committee has delegated to the Company's management the authority to grant certain restricted stock unit and option awards to employees of the Company or of any subsidiary of the Company who are not members of the Board or Senior Executives of the Company. Notwithstanding the above, grants pursuant to this delegation must be made: (i) within the equity grant budget and pre-established guidelines ("Equity Grant Guidelines") that have been approved in advance by the Committee, and (ii) within the limits allowed under the Delaware General Corporation Code.

Compensation

Members of the Committee shall receive such fees for their service as Committee members as may be determined by the Board and shall be paid in such form of consideration as is determined by the Board in accordance with the applicable rules of NASDAQ, the SEC and the Internal Revenue Code.

III. MEETINGS

The Committee shall meet at least two times annually, or more frequently as circumstances require. The Chairman of the Board or any member of the Committee may call meetings of the Committee. At all meetings of the Committee, a majority of the authorized number of Committee members shall constitute a quorum for the transaction of business and the act of a majority of the Committee members present at any Committee meeting at which there is a quorum shall be the act of

the Committee, except as may be otherwise specifically provided by statute (such as in the case of a recusal due to a conflict of interest) or by the Company's Certificate of Incorporation.

As part of its review and establishment of the performance criteria and compensation of directors and Senior Executives of the Company, the Committee should meet separately at least on an annual basis with the Chief Executive Officer, the Company's principal human resources executive, and any other employees of the Company, as it deems appropriate. However, the Committee should meet regularly without the Senior Executives present, and in all cases no employee of the Company shall be present at meetings at which such person's performance or compensation is being discussed and determined.

Meetings of the Committee may be held telephonically. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of meetings of the Board. The Committee may also act by written consent, which shall constitute a valid action of the Committee if it has been executed by each Committee member and shows the date of execution. The written consent will be effective on the date of the last signature and will be filed with the minutes of Board meetings.

All directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, member of the management of the Company and such other persons as it deems appropriate to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate to carry out its responsibilities.

IV. RESPONSIBILITIES AND DUTIES

Outlined below are certain continuing responsibilities that the Committee is expected to fulfill in effecting its purpose as stated in Section I of this Charter. This list of responsibilities is presented for illustrative purposes and is not intended to be exhaustive. The Committee may conduct additional activities as appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also fulfill other responsibilities delegated to it from time to time by the Board.

Setting Compensation for Directors and Executives

1. Review and approve corporate goals, objectives and philosophies relevant to the compensation of the Senior Executives and any other employees of the Company and its subsidiaries as may be designated by the Committee from time to time.
2. Evaluate the performance of each of the Senior Executives in light of these goals and objectives, share such evaluations with the Board, and based on such evaluations, review and approve both direct and indirect compensation of the Senior Executives, including but not limited to: (a) the annual salary, (b) the Key Employee Bonus Plan (KEBP), the Performance Profit Sharing Bonus (PPSP), the design bonus plan and any other bonus plan opportunities and payouts, (c) the equity grants or other equity related compensation from the Company and any subsidiary of the Company, including but not limited to: the PARS Grant Program, and (d) and any other compensation or benefits.
3. Review and approve the terms of any offer letters, employment agreements, severance agreements, change-in-control agreements, indemnification agreements and other

material agreements between the Company and its Executive Officers. Due to the time sensitive nature of such agreements, the Chairman of the Committee shall have the authority to review and pre-approve the terms of such agreements for the Other Officers, but not for the Executive Officers, including the terms of any equity grants within the Equity Grant Guidelines. The Chairman of the Committee shall report any such approvals to the full Committee for ratification at the next Committee meeting.

4. Review and recommend for Board approval all compensation of directors as well as director's and Senior Executive's indemnification and insurance matters. For purposes of this Charter, director compensation shall include any payments made by the Company or a subsidiary of the Company to any member of the Board for services including any equity grants made by the Company or any subsidiary of the Company to a member of the Board as well as any other compensation of any director that will need to be disclosed in the Company's annual proxy statement.

5. Oversee the administration of other material employee benefit plans of the Company, including the Company's 401(k) plan and non-qualified deferred compensation plans, subject to delegation of such day-to-day administrative duties as are consistent with applicable laws, regulations and financial accounting rules.

6. Consider the views of the Company's stockholders on executive compensation matters, including advisory votes to approve executive compensation, stockholder proposals and related matters.

7. At least once every sixth year, the Committee shall recommend to the Board for inclusion in the annual proxy statement a proposal regarding the frequency of stockholder advisory votes to approve executive compensation (a "Say When on Pay" stockholder advisory vote).

8. Review and approve policies and procedures relating to any perquisites and expense accounts of the Senior Executives.

Monitoring Incentive and Equity-Based Compensation Plans

9. Review and approve amendments to, or the establishment of, the Company's cash incentive compensation plans and equity-based compensation plans and review any general compensation guidelines for the Company's employees, including the size of the Company's cash incentive pools, if any.

10. Receive updates on all equity compensation activities of the Company's subsidiaries that are not subject to the approval of the Committee.

11. For compensation intended to comply with Section 162(m) of the Internal Revenue Code, set the performance targets for the Senior Executives within the first 90 days of the performance period to which such target relates or, if shorter, within the period provided by Section 162(m) in order for such target to be "preestablished" within the meaning of Section 162(m).

12. For compensation intended to comply with Section 162(m) of the Internal Revenue Code, certify that any and all performance targets used for any performance-based goals

have been met before payment of any executive bonus or compensation or vesting of any equity award granted under any such plans to any Senior Executives.

13. Administer the Company's equity compensation plans, subject to delegation of such administrative duties as are consistent with applicable laws, regulations and financial accounting rules.

Other compensation-related tasks

14. Approve the Compensation Discussion and Analysis disclosure for inclusion in the Company's annual proxy statement or Form 10-K.

15. Perform risk analysis related to the Company's compensation philosophy and policies.

16. Oversee and monitor succession planning for the Senior Executives.

V. INVESTIGATIONS, STUDIES AND OUTSIDE ADVISORS; CONSIDERATION OF NASDAQ INDEPENDENCE FACTORS

The Committee may conduct or authorize investigations into, or studies of, matters within the Committee's scope of responsibility, with full access to all books, records, facilities and personnel of the Company.

The Committee shall have the authority to retain compensation consultants, independent legal counsel (including the Company's regular legal counsel), accounting, actuarial or other advisors, following consideration of independence factors specified by NASDAQ (the "Independence Factors"). Specifically, these Independence Factors are:

1. The provision of other services to the Company by the entity employing the advisor (the "Advisor Entity").

2. The amount of fees received from the Company by the Advisor Entity as a percentage of the total revenue of the Advisor Entity.

3. The policies and procedures of the Advisor Entity that are designed to prevent conflicts of interest.

4. Any business or personal relationship of the advisor with a Committee member.

5. Any stock of the Company owned by the advisor.

6. Any business or personal relationship of the advisor or the Advisor Entity with an executive officer of the Company. The Company shall be responsible for paying reasonable compensation, as determined by the Committee in its sole discretion, for such advisors. The Committee shall have the authority to approve such advisors' compensation and other retention terms and to oversee their work. The Committee may also utilize the services of the Company's regular outside legal counsel or other advisors to the Company, but only following consideration of the Independence Factors.

The Committee shall not be required to consider the Independence Factors prior to obtaining advice from in-house counsel. The Committee shall also not be required to consider the Independence Factors prior to obtaining an advisor's counsel on (i) any broad-based plan that does not discriminate in scope, terms or operation, in favor of executive officers or directors of the Company and that is generally available to all salaried employees, or (ii) any information that is not customized for the Company or that is customized based upon parameters not developed by the advisor or the Company, and about which the advisor does not provide advice. The advisors exempted from Independence Factor consideration under this paragraph are referred to herein as the "Exempt Advisors."

The Committee shall also have the authority to terminate its advisors.

Except with respect to Exempt Advisors, the Committee shall at least annually review the independence of advisors to the Committee, including compensation consultants and the Company's regular outside counsel, in accordance with the Independence Factors.

VI. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner, as it deems appropriate.