

CYPRESS SEMICONDUCTOR CORP /DE/

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

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

For the quarterly period ended July 2, 2017
OR

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

Commission file number 1-10079

CYPRESS SEMICONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

94-2885898

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

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

(408) 943-2600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
	Emerging Growth Company		<input type="checkbox"/>

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 Exchange Act). Yes No

The total number of outstanding shares of the registrant's common stock as of July 24, 2017 was 332,488,159.

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PART I—FINANCIAL INFORMATION

Forward-Looking Statements

The discussion in this Quarterly Report on Form 10-Q contains statements that are not historical in nature, but are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, including, but not limited to, statements related to: our pursuit of long-term growth initiatives, including various long-term strategic corporate transformation initiatives, collectively referred to as our Cypress 3.0 strategy; expected improvements in margin and our ability to successfully execute on our margin improvement plan; our manufacturing strategy; the anticipated impact of our acquisitions, dispositions and restructuring activities, including our acquisition of the IoT business of Broadcom Corporation in July 2016; anticipated growth opportunities in the automotive, wireless and industrial markets; our expectations regarding dividends and stock repurchases; our expectations regarding future technology transfers and other licensing arrangements; our efforts to license and/or monetize our intellectual property portfolio; our expectations regarding the timing and cost of our restructuring liabilities; our expectations regarding our active litigation matters and our intent to defend ourselves in those matters; the competitive advantage we believe we have with our patents as well as our proprietary programmable technologies and programmable products; our plans for our products, pricing, and marketing efforts, including the potential impact on our customer base if we were to raise our prices; our backlog as an indicator of future performance; our ability to pay down our indebtedness and continue to meet the covenants set forth in our debt agreements; the risk associated with our yield investment agreements; our foreign currency exposure and the impact exchange rates could have on our operating margins; the adequacy of our cash and working capital positions; the value and liquidity of our investments, including auction rate securities and our other debt investments; our ability to recognize certain unrecognized tax benefits within the next twelve months, as well as the resolution of agreements with various foreign tax authorities; our investment strategy; the impact of interest rate fluctuations on our investments; the volatility of our stock price; the impact of actions by stockholder activists, including any related litigation proceedings; the size and composition of our Board of Directors; the adequacy of our real estate properties; the utility of our non-GAAP reporting; the adequacy of our audits; the potential impact of our indemnification obligations; and the impact of new accounting standards on our financial statements and our ability to recognize revenue. We use words such as “may,” “will,” “should,” “plan,” “anticipate,” “believe,” “expect,” “future,” “intend,” “estimate,” “predict,” “potential,” “continue,” and similar expressions to identify forward-looking statements. Such forward-looking statements are made as of the date hereof and are based on our current expectations, beliefs and intentions regarding future events or our financial performance and the information available to management as of the date hereof. In addition, readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by law, we assume no responsibility to update any such forward-looking statements. Our actual results could differ materially from those expected, discussed or projected in the forward-looking statements contained in this Quarterly Report on Form 10-Q for any number of reasons, including, but not limited to: the state and future of the general economy and its impact on the markets and consumers we serve and on our investments; our ability to execute on our Cypress 3.0 strategy and our margin improvement plan; our ability to effectively integrate the Broadcom IoT assets; our ability to attract and retain key personnel; our ability to timely deliver our proprietary and programmable technologies and products; the current credit conditions; our ability to retain and expand our customer base, which may be adversely affected if we were to raise our prices; our ability to transform our business with a leading portfolio of programmable products; the number and nature of our competitors; the changing environment and/or cycles of the semiconductor industry; foreign currency exchange rates; our ability to efficiently manage our manufacturing facilities and achieve our cost goals emanating from our flexible manufacturing strategy; our ability to achieve our goals related to our restructuring activities; the uncertainty and expense of pending litigation matters; our ability to pay down our indebtedness and continue to meet the covenants set forth in our debt agreements; our ability to manage our investments and interest rate and exchange rate exposure; changes in the law; the results of our pending tax examinations; our ability to achieve liquidity in our investments; the failure or success of our internal startups; and/or the materialization of one or more of the risks set forth in Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q and in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017.

ITEM 1. FINANCIAL STATEMENTS

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	July 2, 2017	January 1, 2017
	(In thousands, except per-share amounts)	
Current assets:		
Cash and cash equivalents	\$ 108,771	\$ 120,172
Accounts receivable, net	336,547	333,037
Inventories	311,774	287,776
Other current assets	124,038	122,162
Assets held for sale	—	30,796
Total current assets	881,130	893,943
Property, plant and equipment, net	289,458	297,266
Equity method investments	184,375	188,687
Intangible assets, net	805,428	904,561
Goodwill	1,439,472	1,439,472
Other long-term assets	144,247	147,942
Total assets	\$ 3,744,110	\$ 3,871,871
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 214,222	\$ 241,424
Accrued compensation and employee benefits	68,512	60,552
Price adjustment and other revenue reserves	163,281	154,525
Dividend payable	36,325	35,506
Current portion of long-term debt	30,000	30,152
Other current liabilities	133,504	180,298
Total current liabilities	645,844	702,457
Deferred income taxes and other tax liabilities	50,157	44,934
Revolving credit facility and long-term debt	1,168,851	1,194,979
Other long-term liabilities	34,269	36,749
Total liabilities	1,899,121	1,979,119
Commitments and contingencies (Note 10)	—	—
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; 505,069 and 497,055 shares issued; 331,578 and 323,583 shares outstanding at July 2, 2017 and January 1, 2017, respectively	4,764	4,737
Additional paid-in-capital	5,693,948	5,676,236
Accumulated other comprehensive loss	(3,336)	(8,811)
Accumulated deficit	(1,516,069)	(1,445,033)
Stockholders' equity before treasury stock	4,179,307	4,227,129
Less: shares of common stock held in treasury, at cost; 173,491 and 173,472 shares at July 2, 2017 and January 1, 2017, respectively	(2,335,372)	(2,335,301)
Total Cypress stockholders' equity	1,843,935	1,891,828
Non-controlling interest	1,054	924
Total equity	1,844,989	1,892,752
Total liabilities and equity	\$ 3,744,110	\$ 3,871,871

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



CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands, except per-share amounts)			
Revenues	\$ 593,776	\$ 450,127	\$ 1,125,650	\$ 869,091
Costs and expenses:				
Cost of revenues	357,594	291,349	690,408	584,528
Research and development	89,736	70,171	178,217	144,138
Selling, general and administrative	81,243	81,836	155,090	156,336
Amortization of intangible assets	49,354	32,605	97,603	67,792
Costs and settlement charges related to shareholder matter	12,043	—	14,310	—
Impairment of acquisition-related intangible assets	—	—	—	33,944
Goodwill impairment charge	—	488,504	—	488,504
Restructuring costs	898	654	3,470	924
Total costs and expenses	590,868	965,119	1,139,098	1,476,166
Operating income (loss)	2,908	(514,992)	(13,448)	(607,075)
Interest expense	(18,781)	(7,540)	(38,257)	(13,872)
Other income, net	2,374	224	2,490	305
Loss before income taxes and non-controlling interest	(13,499)	(522,308)	(49,215)	(620,642)
Income tax (provision) benefit	(4,504)	5,221	(9,430)	1,479
Share in net loss of equity method investees	(4,835)	(2,568)	(9,911)	(4,646)
Net loss	(22,838)	(519,655)	(68,556)	(623,809)
Net (income) loss attributable to non-controlling interests	(66)	381	(130)	513
Net loss attributable to Cypress	\$ (22,904)	\$ (519,274)	\$ (68,686)	\$ (623,296)
Net loss per share attributable to Cypress:				
Basic	\$ (0.07)	\$ (1.65)	\$ (0.21)	\$ (1.96)
Diluted	\$ (0.07)	\$ (1.65)	\$ (0.21)	\$ (1.96)
Cash dividend declared per share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22
Shares used in net loss per share calculation:				
Basic	329,860	314,305	328,320	317,330
Diluted	329,860	314,305	328,320	317,330

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

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

LINKED DATA	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Net loss	\$ (22,838)	\$ (519,655)	\$ (68,556)	\$ (623,809)
Other comprehensive (loss) income:				
Net unrealized gain on cash flow hedges:				
Net unrealized (loss) gain arising during the period	(725)	(7,951)	1,515	(10,629)
Net (gain) loss reclassified into earnings for revenue hedges (effective portion)	(1,282)	4,102	(3,871)	5,127
Net gain reclassified into earnings for revenue hedges (ineffective portion)	—	(184)	—	(173)
Net loss reclassified into earnings for expense hedges (effective portion)	2,988	4,665	8,638	7,454
Provision for income tax	—	—	(808)	—
Net unrealized gain on cash flow hedges	981	632	5,474	1,779
Other comprehensive gain	981	632	5,474	1,779
Comprehensive loss	(21,857)	(519,023)	(63,082)	(622,030)
Comprehensive (income) loss attributable to non-controlling interest	(66)	381	(130)	513
Comprehensive loss attributable to Cypress	<u>\$ (21,923)</u>	<u>\$ (518,642)</u>	<u>\$ (63,212)</u>	<u>\$ (621,517)</u>

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

CYPRESS SEMICONDUCTOR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	July 2, 2017	July 3, 2016
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (68,556)	\$ (623,809)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	56,271	42,387
Depreciation and amortization	131,335	122,737
Impairment of acquisition-related intangible assets	—	33,944
Impairment of goodwill	—	488,504
(Gain) loss on disposal on property and equipment	(809)	6,116
Share in net loss of equity method investees	9,911	4,646
Accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt	10,071	3,101
Other adjustments	61	2,793
Changes in operating assets and liabilities:		
Accounts receivable	(3,510)	(32,406)
Inventories	(24,295)	22,383
Other current and long-term assets	(4,987)	(36,656)
Price adjustment reserve for sales to distributors	8,756	50,114
Accounts payable and other liabilities	(56,080)	(6,815)
Deferred margin on sales to distributors	—	(54,536)
Net cash provided by operating activities	58,168	22,503
Cash flows from investing activities:		
Proceeds from maturities and sales of available-for-sale investments	—	84,317
Purchases of marketable securities	—	(80,053)
Cash received on sale of asset held for sale	31,611	—
Proceeds from divestiture of TrueTouch® Mobile business	6,509	—
Contribution, net of distributions to deferred compensation plan	4,206	1,743
Acquisition of property, plant and equipment	(29,350)	(25,814)
Cash paid for equity and cost method investments	(7,893)	(14,376)
Others	1,575	—
Net cash provided by (used in) investing activities	6,658	(34,183)
Cash flows from financing activities:		
Borrowings under revolving credit facility	70,000	120,000
Repayment of revolving credit facility	(85,000)	(202,000)
Repayment of Term Loan A and Term Loan B	(15,000)	(2,500)
Purchase of treasury stock	—	(175,694)
Payment of cash dividends	(71,754)	(70,820)
Proceeds from employee stock-based awards	31,841	40,111
Repayment of equipment leases, loans and other	(111)	(6,606)
Net proceeds from issuance of 4.50% Senior Exchangeable Notes	—	279,594
Purchase of capped calls	—	(8,165)
Financing costs related to revolving credit facility	(6,203)	(597)
Net cash used in financing activities	(76,227)	(26,677)
Net decrease in cash and cash equivalents	(11,401)	(38,357)
Cash and cash equivalents, beginning of period	120,172	226,690
Cash and cash equivalents, end of period	\$ 108,771	\$ 188,333
Supplemental Cash Flows Disclosures:		
Dividends payable	\$ 36,325	\$ 35,240
Unpaid purchase of property, plant and equipment	\$ 354	\$ 3,804
Cash paid for interest	\$ 28,968	\$ 10,398

Cash paid for income taxes

\$

4,499 \$

4,742

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

CYPRESS SEMICONDUCTOR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Years

Cypress Semiconductor Corporation (“Cypress” or 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 years 2017 and 2016 each contained 52 weeks. The second quarter of fiscal 2017 ended on July 2, 2017 and the second quarter of fiscal 2016 ended on July 3, 2016 .

Basis of Presentation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments of a normal, recurring nature, which are necessary to state fairly the financial information included therein. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in Cypress's Annual Report on Form 10-K for the fiscal year ended January 1, 2017 . The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

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

On July 5, 2016, the Company completed its acquisition of certain assets primarily related to the Internet of Things business of Broadcom Corporation ("IoT business") pursuant to an Asset Purchase Agreement with Broadcom, dated April 28, 2016, for a total consideration of approximately \$550 million . Consequently, the financial condition and results of operations include the financial results of the IoT business beginning July 5, 2016. The comparability of our results for the second quarter of fiscal 2017 to the same period in fiscal 2016 is impacted by this acquisition. Refer to Note 2 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017 .

Effective as of July 29, 2016, the Company changed the method of accounting for its investment in Deca Technologies Inc. ("Deca") from consolidation to the equity method of accounting as a result of the investment by certain third party investors in Deca. The comparability of our results for the second quarter of fiscal 2017 to the same period in fiscal 2016 is impacted by the said change. Refer to Note 6 and Note 21 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017.

As a result of the Company's reorganization and internal reporting restructuring that became effective in the fourth quarter of fiscal 2016, the Company operates under two reportable business segments: Microcontroller and Connectivity Division ("MCD") and Memory Products Division ("MPD"). Prior to the fourth quarter of fiscal 2016, the Company reported under four reportable business segments: MPD, Programmable Systems Division ("PSD"), Data Communications Division ("DCD") and Emerging Technologies Division ("ETD"). The prior periods herein reflect this change in segment information.

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to the current period presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The Condensed Consolidated Results of Operations for the three and six months ended July 2, 2017 are not necessarily indicative of the results to be expected for the full fiscal year.

Summary of Significant Accounting Policies

The Company's significant accounting policies are described under Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017.

Recent Accounting Pronouncements

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

In May 2014, the Financial Accounting Standards Board ("FASB") issued an ASU (Accounting Standard Update) on revenue from contracts with customers, ASU No. 2014-09, "Revenue from Contracts with Customers", which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new guidance requires a company to recognize revenue as control of goods or services transfers to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. It defines a five step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The new guidance will be effective for the Company starting in the first quarter of fiscal 2018. Adoption one year early is permitted. Two methods of adoption are permitted: (a) full retrospective adoption, meaning this standard is applied to all periods presented or (b) modified retrospective adoption, meaning the cumulative effect of applying the new guidance is recognized as an adjustment to the opening retained earnings balance.

The Company presently expects to select the modified retrospective transition method. As the new standard will supersede substantially all existing revenue guidance affecting the Company under GAAP, it could impact revenue and cost recognition on sales across all of the Company's business segments, in addition to its business processes, compensation, information technology systems and other financial reporting and operational elements. By the end of fiscal 2016, the Company transitioned all revenue from distributors from sell-through to the sell-in basis of accounting. Please see discussion related to the transition to sell-in-basis of accounting under Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017. Consequently, the Company does not expect the new guidance to materially impact the timing of recognition of future revenue from distributors.

While we are continuing to assess all potential impacts, given that our distributor revenues are now recognized at the time of shipment, the Company currently expects the adoption of this new guidance may impact the timing of recognition of revenue from its intellectual property portfolio, non-recurring engineering arrangements, and sales of products that do not have an alternative use under a non-cancelable arrangement. Upon adoption of the new guidance, licenses to use portions of the Company's intellectual property portfolio may need to be recognized as revenues on a straight-line basis over the term of the license agreement. Also, the Company expects a change in the timing of revenues recognized from sales-based royalties. The Company currently recognizes sales-based royalties as revenues in the period in which such royalties are reported by licensees, which is typically after the conclusion of the quarter in which the licensees' sales occur. Under the new guidance, the Company will be required to estimate and recognize sales-based royalties in the period in which the associated sales occur, resulting in acceleration of revenue recognition compared to the current method. The Company also expects that revenue from certain non-recurring engineering arrangements, which are currently recognized upon the achievement of contractual milestones, may need to be recognized as performance obligations are satisfied over time. Similarly, sales of products that do not have an alternative use under a non-cancelable arrangement, which are currently recognized at a point in time may need to be recognized as performance obligations are satisfied over time. Revenues from these arrangements are presently not material for the Company.

In February 2016, the FASB issued ASU 2016-02, Leases, "(Topic 842)", which replaces most current lease guidance when it becomes effective. This standard update intends to increase the transparency and improve comparability by requiring entities to recognize assets and liabilities on the balance sheet for all leases, with certain exceptions. 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. The new guidance will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently evaluating the timing of adoption and the effect that the new guidance will have on its consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." For public entities, ASU 2016-16 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on its 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 does not anticipate the adoption of this guidance to have a material impact on its 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 in changes to stock 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 is evaluating the impact this guidance will have on its consolidated financial statements and related disclosures.

NOTE 2. BALANCE SHEET COMPONENTS

Accounts Receivable, Net

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Accounts receivable, gross	\$ 341,892	\$ 338,061
Allowance for doubtful accounts receivable and sales returns	(5,345)	(5,024)
Total accounts receivable, net	<u>\$ 336,547</u>	<u>\$ 333,037</u>

Inventories

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Raw materials	\$ 15,474	\$ 15,525
Work-in-process	219,733	208,525
Finished goods	76,567	63,726
Total inventories	<u>\$ 311,774</u>	<u>\$ 287,776</u>

Other Current Assets

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Prepaid tooling - current	\$ 18,937	\$ 21,687
Restricted cash relating to defined benefit pension plan, current	2,466	4,206
Advances to suppliers	19,388	16,549
Prepaid royalty and licenses	15,455	17,769
Derivative assets	3,794	6,605
Value added tax receivable	9,090	11,625
Receivable from sale of TrueTouch Mobile ® business	3,491	10,000
Prepaid expenses	39,740	22,965
Other current assets	11,677	10,756
Total other current assets	<u>\$ 124,038</u>	<u>\$ 122,162</u>

Other Long-term Assets

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Employee deferred compensation plan	\$ 44,448	\$ 45,574
Prepaid tooling - non-current	12,827	6,054
Investment in cost method equity securities	15,625	13,331
Deferred tax assets	4,359	4,463
Long-term licenses	13,417	14,498
Advance to suppliers	19,535	25,207
Other assets	34,036	38,815
Total other long-term assets	<u>\$ 144,247</u>	<u>\$ 147,942</u>

Other Current Liabilities

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Employee deferred compensation plan	\$ 45,774	\$ 46,359
Restructuring accrual - current portion (See Note 7)	5,599	24,029
Derivative liability	8,004	15,582
Accrued expenses	51,981	73,983
Other current liabilities	22,146	20,345
Total other current liabilities	<u>\$ 133,504</u>	<u>\$ 180,298</u>

Other Long-term Liabilities

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Long-term pension and other employee related liabilities	\$ 16,330	\$ 14,672
Restructuring accrual - non-current portion (See Note 7)	9,908	11,294
Asset retirement obligation	5,371	5,067
Other long-term liabilities	2,660	5,716
Total other long-term liabilities	<u>\$ 34,269</u>	<u>\$ 36,749</u>

NOTE 3. INTANGIBLE ASSETS

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

	As of July 2, 2017			As of January 1, 2017		
	Gross	Accumulated Amortization	Net (a)	Gross	Accumulated Amortization	Net (a)
(In thousands)						
Developed technology and other intangible assets						
Acquisition-related intangible assets	\$ 1,059,008	\$ (392,683)	\$ 666,325	\$ 1,021,244	\$ (295,023)	\$ 726,221
Non-acquisition related intangible assets	12,000	(10,336)	1,664	12,000	(8,863)	3,137
Total developed technology and other intangible assets	1,071,008	(403,019)	667,989	1,033,244	(303,886)	729,358
In-process research and development	137,439	—	137,439	175,203	—	175,203
Total intangible assets	\$ 1,208,447	\$ (403,019)	\$ 805,428	\$ 1,208,447	\$ (303,886)	\$ 904,561

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

The below table presents details of the in-process research and development assets as of July 2, 2017 :

	(in thousands)
As of January 1, 2017	\$ 175,203
Technological feasibility achieved	(37,764)
As of July 2, 2017	<u>\$ 137,439</u>

During the three and six months ended July 2, 2017 , two and three projects representing \$18.3 million and \$37.8 million , respectively, of the total capitalized IPR&D, with estimated useful lives of 4 years and 5 years , respectively, had reached technological feasibility and were transferred to developed technology.

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

The Company expects the remaining IPR&D projects as of July 2, 2017 to attain technological feasibility by fiscal 2018.

The estimated future amortization expense related to developed technology and other intangible assets as of July 2, 2017 is as follows:

	(In thousands)
2017 (remaining six months)	\$ 98,150
2018	191,592
2019	183,994
2020	124,073
2021	30,912
2022 and future	39,268
Total future amortization expense	<u>\$ 667,989</u>

NOTE 4. ASSETS HELD FOR SALE

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

The carrying value of these assets held for sale 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 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 first half of fiscal 2017, the Company recorded a gain of \$0.8 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 Condensed Consolidated Statements of Operations.

NOTE 5. 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 carrying value of the equity method investments.

	As of July 2, 2017		
	(in thousands)		
	Deca Technologies ("Deca")	Enovix Corporation ("Enovix")	Total
Carrying value as of January 1, 2017	\$ 134,327	\$ 54,360	\$ 188,687
Additional investment	—	5,599	5,599
Equity in net loss of equity method investees	(5,408)	(4,503)	(9,911)
Carrying value as of July 2, 2017	<u>\$ 128,919</u>	<u>\$ 55,456</u>	<u>\$ 184,375</u>

During the first quarter of fiscal 2017, the Company made an investment of \$5.6 million in Enovix, which completed the Company's 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 the first quarter of fiscal 2017, as a result of which, the Company's ownership in Enovix reduced from 46.6% as at January 1, 2017 to 41.2% as at April 2, 2017. As of July 2, 2017, the Company's ownership in Enovix was 41.2%.

The estimated fair value of the Company's investment in Enovix, based on the enterprise value of Enovix implied from a third-party investment in Enovix, exceeds the carrying value of the said investment as at July 2, 2017. Enovix continues to be in the process of completing certain key product development milestones. Enovix's estimated enterprise value is sensitive to its ability to achieve these milestones. Delays or failure by Enovix to complete these milestones may have an adverse impact on Enovix's estimated enterprise value and result in the recognition of a material impairment charge to the Company's earnings as a result of a write-down of the carrying value of the Company's investment in Enovix.

As of January 1, 2017 and July 2, 2017, the Company's ownership in Deca was 52.2%.

NOTE 6. FAIR VALUE MEASUREMENTS

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis and its non-financial liabilities measured at fair value on a non-recurring basis as of July 2, 2017 and January 1, 2017:

	As of July 2, 2017			As of January 1, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
(In thousands)						
Financial Assets						
Cash equivalents:						
Money market funds	\$ 362	\$ —	\$ 362	\$ 287	\$ —	\$ 287
Total cash equivalents	362	—	362	287	—	287
Other current assets						
Certificates of deposit	—	972	972	—	972	972
Total other current assets	—	972	972	—	972	972
Employee deferred compensation plan assets:						
Cash equivalents	3,530	—	3,530	3,809	—	3,809
Mutual funds	24,196	—	24,196	22,658	—	22,658
Equity securities	11,375	—	11,375	11,974	—	11,974
Fixed income	3,063	—	3,063	4,088	—	4,088
Stable value funds	—	2,284	2,284	—	3,045	3,045
Total employee deferred compensation plan assets	42,164	2,284	44,448	42,529	3,045	45,574
Foreign exchange forward contracts	—	3,794	3,794	—	6,605	6,605
Total financial assets	\$ 42,526	\$ 7,050	\$ 49,576	\$ 42,816	\$ 10,622	\$ 53,438
Financial Liabilities						
Foreign exchange forward contracts	\$ —	\$ 8,004	\$ 8,004	\$ —	\$ 15,582	\$ 15,582
Employee deferred compensation plan liability	—	45,774	45,774	—	46,359	46,359
Total financial liabilities	\$ —	\$ 53,778	\$ 53,778	\$ —	\$ 61,941	\$ 61,941

The Company did not have any assets or liabilities measured at fair value on a recurring basis using Level 3 inputs as of July 2, 2017 and January 1, 2017. There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies during the three and six months ended July 2, 2017 and July 3, 2016 related to these securities.

Valuation Techniques:

There have been no changes to the valuation techniques used to measure the fair value of the Company's assets and liabilities. For a description of the valuation techniques, refer to Note 7 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain of the Company's assets, including intangible assets, goodwill and cost-method investments, are measured at fair value on a nonrecurring basis if impairment is indicated. Refer to Note 3 regarding impairment of certain intangible assets during the first quarter of fiscal 2016.

Fair Value of Long-term Debt

As of July 2, 2017, the carrying value of the Company's revolving credit facility was \$317.0 million (See Note 9). The carrying value of the Company's revolving credit facility approximates its fair value since it bears an interest rate that is comparable to rates on similar credit facilities and is determined using Level 2 inputs.

The Company's 2.00% Senior Exchangeable Notes assumed as part of the Merger are traded in the secondary market for debt instruments and are categorized as a Level 2 liability. The carrying value and the estimated fair value of the said Notes as of July 2, 2017 were \$137.2 million and \$397.9 million, respectively. See Note 9 for further details.

The Company's 4.50% Senior Convertible Notes are traded in the secondary market for the debt instruments and the fair value is determined using Level 2 inputs. The carrying value and the estimated fair value of the debt portion of the said Notes as of July 2, 2017 were \$241.6 million and \$351.3 million, respectively. See Note 9 for further details.

NOTE 7. RESTRUCTURING

2016 Restructuring Plan

In September 2016, the Company began the implementation of a reduction in workforce ("2016 Plan") which will result in elimination of approximately 430 positions worldwide across various functions. The restructuring charge of \$0.9 million recorded for the three months ended July 2, 2017 consists of personnel costs and facilities related expenses. The restructuring charge of \$3.5 million recorded for the six months ended July 2, 2017 consists of personnel costs of \$1.9 million, other charges related to the write-off of certain licenses and facilities related expenses of \$1.6 million. The Company expects that the cash costs incurred under the 2016 Plan will be paid out through fiscal 2017.

Spansion Integration-Related Restructuring Plan ("Spansion Integration Plan")

In March 2015, the Company implemented cost reduction and restructuring activities in connection with the Merger. The restructuring charge of \$0.9 million recorded for the six months ended July 3, 2016 consists primarily of severance costs and impairment of property, plant and equipment. No restructuring charges were recorded for the three and six months ended July 2, 2017 related to the Spansion Integration Plan.

Summary of restructuring costs

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Personnel costs	\$ 374	\$ 369	\$ 1,877	\$ 615
Lease termination costs	—	285	—	309
Other	524	—	1,593	—
Total restructuring costs	\$ 898	\$ 654	\$ 3,470	\$ 924

All restructuring costs are included in the operating expenses under "Restructuring costs" in the Condensed Consolidated Statements of Operations.

Roll-forward of the restructuring reserves

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

	(In thousands)		
	Spansion Integration plan	2016 Plan	Total
Accrued restructuring balance as of January 1, 2017	\$ 14,219	\$ 21,104	\$ 35,323
Provision	—	2,572	2,572
Cash payments and other adjustments	(763)	(18,545)	(19,308)
Accrued restructuring balance as of April 2, 2017	\$ 13,456	\$ 5,131	\$ 18,587
Provision	—	898	898
Cash payments and other adjustments	(741)	(3,237)	(3,978)
Accrued restructuring balance as of July 2, 2017	\$ 12,715	\$ 2,792	\$ 15,507
Current portion of the restructuring accrual	\$ 2,807	\$ 2,792	\$ 5,599
Non-current portion of the restructuring accrual	\$ 9,908	\$ —	\$ 9,908

The Company anticipates that the remaining 2016 Plan restructuring accrual balance of \$2.8 million will be paid out in cash through the end of fiscal 2017 for employee terminations and facilities related expenses, and the remaining Spansion Integration Plan accrual balance of \$12.7 million will be paid over the lease term through 2026 for the excess lease obligation related to the buildings Spansion had leased prior to the Merger, which the Company decided not to occupy in the post-Merger period.

NOTE 8. 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 following table summarizes the stock-based compensation expense by line item recorded in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Cost of revenues	\$ 4,833	\$ 4,278	\$ 10,164	\$ 9,925
Research and development	11,275	5,329	23,046	12,259
Selling, general and administrative	14,226	9,242	23,061	20,203
Total stock-based compensation expense	\$ 30,334	\$ 18,849	\$ 56,271	\$ 42,387

As of July 2, 2017 and January 1, 2017, stock-based compensation capitalized in inventories totaled \$4.3 million and \$4.6 million, respectively.

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Stock options	\$ 109	\$ 206	\$ 109	\$ 504
Restricted stock units ("RSUs") and performance-based restricted stock awards ("PSUs")	25,706	13,204	46,546	30,597
Employee Stock Purchase Plan ("ESPP")	4,519	5,439	9,616	11,286
Total stock-based compensation expense	\$ 30,334	\$ 18,849	\$ 56,271	\$ 42,387

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

	As of	
	July 2, 2017	Weighted-Average Amortization Period
	(In thousands)	(In years)
Stock options	\$ 289	0.67
RSUs and PSUs	100,661	1.45
ESPP	15,519	0.59
Total unrecognized stock-based compensation expense	\$ 116,469	1.34

Equity Incentive Program

As of July 2, 2017, approximately 47.3 million stock options, or 26.7 million RSUs/PSUs were available for grant as share-based awards under the 2013 Stock Plan, the 2010 Equity Incentive Award Plan (formerly the Spansion 2010 Equity Incentive Award Plan) and the 2012 Incentive Award Plan (formerly the Ramtron Plan). As of July 2, 2017, there were 2.2 million shares of stock available for issuance under the ESPP plan.

Stock Options

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

	Shares	Weighted-Average Exercise Price Per Share	Weighted Average Remaining Contractual term	Aggregate Intrinsic Value
	(In thousands, except per-share amounts)		(In years)	(\$ in millions)
Options outstanding as of January 1, 2017	7,947	\$ 10.70		
Exercised	(1,076)	\$ 8.38		
Forfeited or expired	(263)	\$ 13.73		
Options outstanding as of April 2, 2017	6,608	\$ 10.96	2.97	\$ 22.4
Exercised	(270)	\$ 8.77		
Forfeited or expired	(63)	\$ 14.98		
Options outstanding as of July 2, 2017	6,275	\$ 11.01		
Options exercisable as of July 2, 2017	5,589	\$ 11.00	2.61	\$ 18.6

There were no options granted during the six months ended July 2, 2017 .

Restricted Stock Units ("RSUs") and Performance-Based Restricted Stock Units ("PSUs")

The following table summarizes the Company's RSU/PSU activities:

	Shares	Weighted-Average Grant Date Fair Value Per Share
	(In thousands, except per-share amounts)	
Balance as of January 1, 2017	13,780	\$ 11.83
Granted	5,311	\$ 13.19
Released	(3,824)	\$ 12.55
Forfeited	(1,151)	\$ 12.21
Balance as of April 2, 2017	14,116	\$ 12.12
Granted	459	\$ 13.56
Released	(673)	\$ 11.40
Forfeited	(517)	\$ 12.44
Balance as of July 2, 2017	13,385	\$ 12.19

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 Program ("PARS") to certain employees.

The milestones for the 2017 PARS grants include service and performance conditions. Approximately 54% of the grants are based on debt leverage, profit before tax ("PBT"), strategic initiatives, gross margin and revenue growth milestones over the next three years. The remaining approximately 46% of the 2017 PARS grants are based on service milestones that vest over three years.

NOTE 9. DEBT

Total debt is comprised of the following:

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Current portion of long-term debt		
Term Loan A	\$ 7,500	\$ 7,500
Term Loan B	22,500	22,500
Equipment loans and capital lease obligations	—	152
Current portion of long-term debt	30,000	30,152
Senior secured credit facility and long-term debt		
Revolving credit facility	317,000	332,000
Term Loan A	80,949	84,838
Term Loan B	392,086	406,214
2.00% Senior Exchangeable Notes	137,248	135,401
4.50% Senior Exchangeable Notes	241,568	236,526
Revolving credit facility and long-term debt	1,168,851	1,194,979
Total debt	\$ 1,198,851	\$ 1,225,131

As of July 2, 2017, the Company was in compliance with all of the financial covenants under all of its debt facilities.

4.50% Senior Exchangeable Notes

On June 23, 2016, the Company, issued at face value, \$287.5 million of Senior Exchangeable Notes due in 2022 (the “Notes”) in a private placement to qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended. The Notes are governed by an Indenture (“Indenture”), dated June 23, 2016, between the Company and U.S. Bank National Association, as Trustee. The Notes will mature on January 15, 2022, unless earlier repurchased or converted, and bear interest of 4.50% per year payable semi-annually in arrears on January 15 and July 15, commencing on January 15, 2017. The Notes may be due and payable immediately in certain events of default.

The Notes are exchangeable for an initial exchange rate of 74.1372 shares of common stock per \$1,000 principal amount of the Notes (equivalent to an initial exchange price of approximately \$13.49 per share) subject to adjustments for anti-dilutive issuances and make-whole adjustments upon a fundamental change. Refer to Note 14 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017 for further details.

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 calculation of the conversion value.

It is the Company's intent that upon conversion, the Company would pay the holders of the Notes cash for an amount up to the aggregate principal 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 cash settled portion of the Notes, as that portion of the debt liability is expected to be settled in cash. The conversion spread will be included in the denominator for the computation of diluted net income per common share using the treasury stock method.

The following table includes total interest expense related to the Notes recognized during the three and six months ended July 2, 2017 and year ended January 1, 2017 (in thousands):

	Three Months Ended July 2, 2017	Six Months Ended July 2, 2017	Year Ended January 1, 2017
Contractual interest expense	\$ 3,271	\$ 6,540	\$ 6,900
Amortization of debt issuance costs	320	639	700
Accretion of debt discount	2,202	4,403	4,646
Total	\$ 5,793	\$ 11,582	\$ 12,246

The net liability component of the Notes is comprised of the following (in thousands):

	July 2, 2017	January 1, 2017
Net carrying amount at issuance date	\$ 231,180	\$ 231,180
Amortization of debt issuance costs to date	1,339	700
Accretion of debt discount to date	9,049	4,646
Net carrying amount	\$ 241,568	\$ 236,526

Capped Calls

In connection with the issuance of the Notes, the Company entered into capped call transactions with certain bank counterparties to reduce the risk of potential dilution of the Company's common stock upon the exchange of the Notes. The capped call transactions have 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 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.

Senior Secured Credit Facility ("Credit Facility")

The Credit Facility is made up of the revolving credit facility, Term Loan A and Term Loan B.

On February 17, 2017, the Company amended its Credit Facility. The amendment reduced the applicable margins on the 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, 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 have been capitalized and recognized as a reduction of the Term Loan A and Term Loan B balances in "Revolving credit facility and long term debt" on the Condensed Consolidated Balance Sheet. These costs will be amortized over the life of the Term Loans and are recorded in "Interest Expense" on the Condensed Consolidated Statements of Operations.

On April 7, 2017, the Company amended its Credit Facility. 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 has been recognized as a reduction of the Term Loan A balance in "Long-term credit facility and long term debt" on the Condensed Consolidated Balance Sheet. These costs will be amortized over the life of the Term Loans and recorded in "Interest Expense" on the Condensed Consolidated Statements of Operations.

As of July 2, 2017, \$842.9 million aggregate principal amount of loans, including Term Loan A, Term Loan B and letters of credit, were outstanding under the revolving credit facility.

2.00% Senior Exchangeable Notes

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

As of July 2, 2017, the Spansion Notes are exchangeable for 195.2 shares of common stock per \$1,000 principal amount of the Notes (equivalent to an exchange price of approximately \$5.12) subject to adjustments for dividends, anti-dilutive issuances and make-whole adjustments upon a fundamental change. Refer to Note 14 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017 for further details.

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 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 will pay to 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 calculation of diluted earnings per share, there would be no adjustment to the numerator in the net income per common share computation for the cash settled portion of the Spansion Notes, as that portion of the debt liability is expected to be settled in cash. The conversion spread, will be included in the denominator for the computation of diluted net income per common share, using the treasury stock method.

The net carrying amount of the liability component of the Spansion Notes consists of the following (in thousands):

	July 2, 2017	January 1, 2017
Principal amount	\$ 149,990	\$ 149,990
Unamortized debt discount	(12,742)	(14,589)
Net carrying value	<u>\$ 137,248</u>	<u>\$ 135,401</u>

The following table presents the interest on the Spansion Notes recognized as an expense during the three and six months ended July 2, 2017 and July 3, 2016 :

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(in thousands)			
Contractual interest expense at 2% per annum	\$ 742	\$ 742	\$ 1,492	\$ 1,489
Accretion of debt discount	935	890	1,848	1,762
Total	<u>\$ 1,677</u>	<u>\$ 1,632</u>	<u>\$ 3,340</u>	<u>\$ 3,251</u>

Capital Leases and Equipment Loans

In 2011, the Company entered into capital lease agreements which allow it to borrow up to \$35.0 million to finance the acquisition of certain manufacturing equipment. Assets purchased under all capital leases are included in "Property, plant and equipment, net" on the Company's Consolidated Balance Sheet. As at end of second quarter of fiscal 2017, there is no balance outstanding against these capital leases.

In December 2011, the Company obtained equipment loans from a financial institution for an aggregate amount of approximately \$14.1 million which are collateralized by certain manufacturing equipment and bear interest of 3.15% to 3.18% per annum payable in 60 equal installments. As of the end of the second quarter of fiscal 2017, all of the equipment loans have been paid off.

Future Debt Payments

For each of the next five years and beyond, the scheduled maturities of the Company's debts including interest as of July 2, 2017, is as follows:

Fiscal Year	Term Loan A	Term Loan B	Revolving credit facility	2.00% Senior Exchangeable Notes	4.50% Senior Exchangeable Notes	Total
(In thousands)						
2017 (remaining six months)	\$ 7,410	\$ 32,637	\$ 11,000	\$ 1,500	\$ 6,505	\$ 59,052
2018	10,862	42,768	11,000	3,000	13,117	80,747
2019	13,027	44,450	11,000	3,000	13,117	84,594
2020	72,779	51,383	319,750	152,990	13,153	610,055
2021	—	348,342	—	—	13,117	361,459
2022 and after					294,112	294,112
Total	\$ 104,078	\$ 519,580	\$ 352,750	\$ 160,490	\$ 353,121	\$ 1,490,019

NOTE 10. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases certain facilities and equipment under non-cancelable operating lease agreements that expire at various dates through fiscal 2022 and thereafter. Some leases include renewal options, which would permit extensions of the expiration dates at rates approximating fair market rental values at the time of the extension.

As of July 2, 2017, future minimum lease payments under non-cancelable operating leases were as follows:

Fiscal Year	(In thousands)
2017 (remaining six months)	\$ 9,745
2018	14,379
2019	10,151
2020	8,228
2021	6,402
2022 and thereafter	22,290
Total	\$ 71,195

Restructuring accrual balances related to operating facility leases were \$12.7 million and \$14.2 million as of July 2, 2017 and January 1, 2017, respectively.

Product Warranties

The Company generally 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 its warranty costs based upon its 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 the Company's warranty reserve activities:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Beginning balance	\$ 3,996	\$ 4,176	\$ 3,996	\$ 4,096
Settlements made	(310)	(651)	(629)	(1,081)
Provisions	631	2,439	950	2,949
Ending balance	\$ 4,317	\$ 5,964	\$ 4,317	\$ 5,964

Litigation and Asserted Claims

In a matter associated with Ramtron International Corporation (“Ramtron”), a wholly owned subsidiary of Cypress, bankruptcy proceedings are ongoing in Italy where the trustee for four bankrupt entities of Finmek S.p.A. is seeking refunds of approximately \$2.8 million in payments made by Finmek to Ramtron prior to Finmek’s bankruptcy in 2004. In November 2014, one of the courts presiding over these proceedings found that approximately \$0.5 million (including interest and fees) should be refunded to Finmek. The Company filed an appeal (Court of Appeal of Venice, Docket no. 2706/2015), and on July 13, 2017, the Court of Appeal reversed the decision, ruling in Ramtron’s favor. The Company has prevailed in all other related proceedings (Court of Appeal of Venice, Docket Nos. 1387/2014 and 2487/2015; Tribunal of Padua Docket No. 5378/2009), and time has expired for the trustee to appeal the 1387/2014 matter. Due to the current stage of the proceedings and the appellate process, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

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

Since August 2014, the Company had been involved in various trademark opposition proceedings with Kingston Technology Corporation (“Kingston”) concerning Kingston’s “HYPERX” trademark and the Company’s “HYPERRAM” trademark, including Trademark Trial and Appeal Board Proceeding Nos. 91218100, 91222728, and 92061796. On April 6, 2017, the parties settled and agreed to dismiss all proceedings.

On August 15, 2016, a patent infringement lawsuit was filed by the California Institute of Technology (“Caltech”) against the Company in the U.S. District Court for the Central District of California (Case No. 16-cv-03714). The other co-defendants are Apple Inc., Avago Technologies Limited, Broadcom Corporation, and Broadcom Limited. Caltech alleges that defendants infringe four patents. On July 12, 2017, the Court issued a claim construction order. The matter is still in the early stages and the Company will defend against the allegations accordingly. Due to the current stage of the proceedings, the Company cannot reasonably estimate the loss or the range of possible losses, if any.

In September 2016, the Company was named in a lawsuit filed by Standard Communications Pty Ltd. in Sydney, Australia, for approximately \$1.1 million in costs associated with a product recall (Supreme Court of New South Wales, Case No. 2016/263578). On May 16, 2017, the claims against the Company were dismissed.

On January 30, 2017, T.J. Rodgers, the former Chief Executive Officer and director of the Company, filed a complaint in the Delaware Court of Chancery captioned *Rodgers v. Cypress Semiconductor Corp.*, C.A. No. 2017-0070-AGB (Del. Ch.), seeking to inspect certain Company books and records pursuant to Section 220 of the Delaware General Corporation Law. The complaint does not seek an award of money damages. On February 20, 2017, the Company filed its answer and response to Mr. Rodgers’ complaint. On April 17, 2017, the Court ruled that Mr. Rodgers was entitled to certain books and records.

On April 24, 2017, Mr. Rodgers filed a second lawsuit in the Delaware Court of Chancery (C.A. No. 2017-0314-AGB), naming the Company's directors as defendants and alleging breach of the fiduciary duty of candor. The complaint sought an order that the Company issue additional disclosures in connection with its proxy materials at least ten days in advance of the Company's 2017 annual shareholders meeting, and if corrective materials are not issued, an order enjoining the shareholder meeting until corrective disclosures are made. On June 1, 2017, the Court of Chancery granted Mr. Rodgers' motion for a preliminary injunction and ordered that the Company make several additional disclosures in its proxy materials and delay the annual shareholders meeting by at least ten days. The parties entered into a settlement agreement, with an effective date of June 30, 2017, to resolve and dismiss with prejudice all ongoing litigation and claims relating to the subject matter of the Section 220 and breach of fiduciary duty actions. The settlement includes a standstill through the earlier of May 31, 2019 or the June 2019 shareholders' meeting, subject to certain conditions, and provides for reimbursement of up to \$3.5 million in documented fees, costs, and expenses incurred by Mr. Rodgers in connection with the lawsuits and the 2017 proxy contest. This charge was recorded in the Costs and settlement charges related to the shareholder matter line item of the Condensed Consolidated Statements of Operations. The said reimbursement of \$3.5 million was paid to Mr. Rodgers on July 24, 2017. On July 26, 2017, the litigations were dismissed with prejudice.

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

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. In these 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 third party against such 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. Management believes that if the Company were to incur a loss in any of these matters, such loss would not have a material effect on its business, financial condition, cash flows or results of operations, although there can be no assurance of this. As of July 2, 2017, the Company had no reason to believe a loss exceeding amounts already recognized had been incurred.

NOTE 11. FOREIGN CURRENCY 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 were considered to be economic hedges that were not designated as hedging instruments while others were designated as cash flow hedges. Whether designated or undesignated as cash flow hedges or not, these forward contracts protect the Company against the variability of forecasted foreign currency cash flows resulting from revenues, expenses and net asset or liability positions designated in currencies other than the U.S. dollar. The maximum original duration of any contract allowable under the Company's hedging policy is 13 months.

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 ongoing 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 have maturities between three and nine months . All hedging relationships are formally documented, and the hedges are designed to offset changes to future cash flows on hedged transactions at the inception of the hedge. The Company recognizes derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measures them at fair value on a monthly basis. The Company records changes in the intrinsic value of its cash flow hedges in accumulated other comprehensive income on the Condensed Consolidated Balance Sheets, until the forecasted transaction occurs. Interest charges or “forward points” on the forward contracts are excluded from the assessment of hedge effectiveness and are recorded in interest and other income, net 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 interest and other income, net in its Condensed Consolidated Statements of Operations.

At July 2, 2017 , the Company had outstanding forward contracts to buy approximately ¥5,659 million for \$52.3 million .

Non-designated hedges

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

Buy / Sell	July 2, 2017	January 1, 2017
	(in millions)	
US dollar / EUR	\$10.2/€9.1	\$25.0 / €23.6
Japanese Yen / US dollar	¥5,080 / \$47.6	¥10,129/\$87.9

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the three and six months ended July 2, 2017 was immaterial.

The gross fair values of derivative instruments on the Condensed Consolidated Balance Sheets as of July 2, 2017 and January 1, 2017 were as follows:

Balance Sheet location	July 2, 2017		January 1, 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	\$ 1,735	\$ 2,059	\$ 6,468	\$ 137
<i>Other Current Liabilities</i>				
Derivative Liability	\$ 3,308	\$ 4,696	\$ 14,391	\$ 1,191

NOTE 12. NET LOSS PER SHARE

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
(In thousands, except per-share amounts)				
Net loss attributable to Cypress	\$ (22,904)	\$ (519,274)	\$ (68,686)	\$ (623,296)
Weighted-average common shares	329,860	314,305	328,320	317,330
Weighted-average diluted shares	329,860	314,305	328,320	317,330
Net loss per share—basic	\$ (0.07)	\$ (1.65)	\$ (0.21)	\$ (1.96)
Net loss per share—diluted	\$ (0.07)	\$ (1.65)	\$ (0.21)	\$ (1.96)

For the three months ended July 2, 2017 and July 3, 2016, approximately 1.1 million and 7.7 million, weighted average potentially dilutive securities consisting of outstanding share based awards and convertible debt, respectively, were excluded in the computation of diluted net loss per share because their effect would have been anti-dilutive. For the six months ended July 2, 2017 and July 3, 2016, approximately 0.9 million and 8.9 million, weighted average potentially dilutive securities consisting of outstanding share based awards and convertible debt, respectively, were excluded in the computation of diluted net loss per share because their effect would have been anti-dilutive.

NOTE 13. INCOME TAXES

The Company's income tax expense was \$4.5 million and income tax benefit was \$5.2 million for the three months ended July 2, 2017 and July 3, 2016, respectively. The Company's income tax expense was \$9.4 million and the Company's income tax benefit was \$1.5 million for the six months ended July 2, 2017 and July 3, 2016, respectively. The income tax expense for the three and six months ended July 2, 2017 was primarily due to non-U.S. income taxes on income earned in foreign jurisdictions. The tax benefit for the three and six months ended July 3, 2016 was primarily attributable to a release of previously accrued taxes related to the lapsing of statutes of limitation, primarily offset by income taxes associated with the Company's non-US operations.

Unrecognized Tax Benefits

As of July 2, 2017 and January 1, 2017, the amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate totaled \$25.8 million and \$24.3 million, respectively.

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

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

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. Management regularly assesses the Company's tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the countries in which the Company does business. The Company believes it is reasonably possible that it may recognize up to approximately \$0.2 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 classifies interest and penalties as components of the income tax provision in the Condensed Consolidated Statements of Operations. As of July 2, 2017 and January 1, 2017, the amounts of accrued interest and penalties totaled \$9.4 million and \$8.5 million, respectively.

NOTE 14. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION

Segment Information

The Company designs, develops, manufactures and markets a broad range of 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 prior periods herein reflect the change in segments as described in Note 1 of the Notes to Condensed Consolidated Financial Statements.

Revenues

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Microcontroller and Connectivity Division	\$ 360,533	\$ 208,453	\$ 678,434	\$ 415,275
Memory Products Division	233,243	241,674	447,216	453,816
Total revenues	<u>\$ 593,776</u>	<u>\$ 450,127</u>	<u>\$ 1,125,650</u>	<u>\$ 869,091</u>

Income (loss) before Income Taxes

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Microcontroller and Connectivity Division	\$ 13,141	\$ (4,944)	\$ 12,223	\$ (9,931)
Memory Products Division	64,711	47,939	114,382	79,360
Unallocated items:				
Stock-based compensation expense	(30,334)	(18,849)	(56,271)	(42,387)
Restructuring charges, including CEO severance	(898)	(5,154)	(3,470)	(5,424)
Amortization of intangible assets	(49,353)	(32,605)	(97,602)	(67,792)
Reimbursement payment in connection with the cooperation and settlement agreement	(3,500)	—	(3,500)	—
Goodwill impairment charge	—	(488,504)	—	(488,504)
Impairment of acquisition-related assets	—	—	—	(33,944)
Changes in value of deferred compensation plan	(12)	(254)	(225)	(840)
Other adjustments	(7,254)	(19,937)	(14,752)	(51,180)
Loss from operations before income taxes	<u>\$ (13,499)</u>	<u>\$ (522,308)</u>	<u>\$ (49,215)</u>	<u>\$ (620,642)</u>

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

Geographical Information

The following table presents revenues by geographical locations:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
United States	\$ 60,737	\$ 41,037	\$ 108,093	\$ 89,214
Europe	72,942	68,297	143,818	129,873
Greater China (includes China, Taiwan and Hong Kong)	263,956	190,806	497,222	334,389
Japan	127,197	93,387	242,335	206,582
Rest of the World	68,944	56,600	134,182	109,033
Total revenue	<u>\$ 593,776</u>	<u>\$ 450,127</u>	<u>\$ 1,125,650</u>	<u>\$ 869,091</u>

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

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
United States	\$ 182,384	\$ 189,912
Philippines	35,661	37,790
Thailand	31,346	32,547
Japan	14,428	14,898
Other	25,639	22,119
Total property, plant and equipment, net	<u>\$ 289,458</u>	<u>\$ 297,266</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 chief operating decision maker ("CODM") does not review asset information on a segment basis.

Customer Information

Outstanding accounts receivable from two of the Company's distributors accounted for 25.8% and 13.3% of its consolidated accounts receivable as of July 2, 2017 . Outstanding accounts receivable from one of the Company's distributors accounted for 24.0% of its consolidated accounts receivable as of January 1, 2017 .

Revenue earned through one of the Company's distributors accounted for 16.4% of its consolidated revenue for the three months ended July 2, 2017 . Revenue earned through one of the Company's distributors accounted for 16.7% of its consolidated revenue for the six months ended July 2, 2017 . No end customer accounted for 10% or more of the Company's revenues for the three and six months ended July 2, 2017 .

Revenue earned through one of the Company's distributors accounted for 24.0% of its consolidated revenue for the three months ended July 3, 2016 . Revenue earned through one of the Company's distributors accounted for 24% of its consolidated revenue for the six months ended July 3, 2016 . No end customer accounted for 10% or more of the Company's revenues for the three and six months ended July 3, 2016 .

NOTE 15. SUBSEQUENT EVENTS

Amendment to Credit and Guaranty Agreement

In July 2017, the Company entered into an agreement to amend and restate its credit and guaranty agreement. The amendment will reduce the applicable margin on its Term Loan B to 2.75% from 3.75% effective August 18, 2017. Term Loan A borrowing will be extinguished as a separate borrowing. Term Loan B will be increased by \$91.3 million to replace Term Loan A; consequently, the aggregate debt position for the Company will not change. The transaction is due to close on August 18, 2017 .

ITEM 2. 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") in this Quarterly Report on Form 10-Q 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 in the "Forward-Looking Statements" section under Part I of this Quarterly Report on Form 10-Q.

EXECUTIVE SUMMARY

Overview

Cypress Semiconductor Corporation ("Cypress" or "the Company") manufactures and sells advanced embedded system solutions for automotive, industrial, home automation and appliances, consumer electronics and medical products. Cypress's programmable systems-on-chip, general-purpose microcontrollers, analog ICs, 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.

Acquisitions and Divestitures

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

On July 5, 2016, we completed the acquisition of certain assets primarily related to the IoT business of Broadcom Corporation ("Broadcom") pursuant to an Asset Purchase Agreement with Broadcom, dated April 28, 2016, for a total consideration of \$550 million. The following MD&A includes the financial results of the IoT business beginning July 5, 2016.

Investment in Deca Technologies Inc.

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

The comparability of our results for the three and six months ended July 2, 2017 to the same prior year periods is significantly impacted by these transactions.

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

Business Segments

We continuously evaluate our reportable business segments in accordance with the applicable accounting guidance. As a result of the Company's reorganization and change in internal reporting restructuring effective fourth quarter of fiscal 2016, the Company operates under two reportable business segments: Microcontroller and Connectivity Division ("MCD") and Memory Products Division ("MPD"). Prior to the fourth quarter of fiscal 2016, the Company reported under four reportable business segments: MPD, Programmable Systems Division ("PSD"), Data Communications Division ("DCD") and Emerging Technologies Division ("ETD"). Refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended January 1, 2017 for further details.

The prior periods herein reflect this change in segment information.

Business Segments**Description**

Microcontroller and Connectivity Division

MCD focuses on high-performance microcontroller (MCU), analog and wireless and wired connectivity solutions. The portfolio includes Traveo™ automotive MCUs, PSoC® programmable system-on-chip MCUs, ARM® Cortex® -M4, -M3, -M0+ MCUs and R4 CPUs, analog PMIC Power Management ICs, CapSense® capacitive-sensing controllers, TrueTouch® touchscreen and fingerprint reader products, Wi-Fi®, Bluetooth®, Bluetooth Low Energy and ZigBee® solutions and the WICED® development platform for the Internet of Things, and USB controllers, including solutions for the USB-C and USB Power Delivery ("PD") standards. MCD includes wireless connectivity solutions acquired from Broadcom effective July 5, 2016. This division also includes our intellectual property ("IP") and foundry businesses. The historical results of MCD include our subsidiary Deca Technologies, Inc.

Memory Products Division

MPD focuses on high-performance parallel and serial NOR flash memories, NAND flash memories, static random access memory (SRAM), F-RAM™ ferroelectric memory devices and other specialty memories. This division also includes our subsidiary AgigA, Tech Inc.

Business Strategy

Refer to Item 1. Business in our Annual Report on Form 10-K for the year ended January 1, 2017 for a discussion of our strategies.

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 Part I Item 1A in our Annual Report on Form 10-K for the year ended January 1, 2017 as well as in Part II Item 1A in this Quarterly Report on Form 10-Q.

Results of Operations*Revenues*

Our total revenues increased by \$143.6 million , or 31.9% , to \$593.8 million for the three-month period ended July 2, 2017 compared to the same period in the prior year. The increase was primarily driven by the acquisition of the IoT business from Broadcom. Additionally, revenues recorded by automotive segment and USB-C and micro-controller products contributed to the said increase.

Our total revenues increased by \$256.6 million , or 29.5% , to \$1,125.7 million for the six-month period ended July 2, 2017 compared to the same period in the prior year. The increase was primarily driven by the acquisition of the IoT business from Broadcom. Additionally, revenues recorded by automotive segment and USB-C and micro-controller products contributed to the said increase.

Consistent with our accounting policies and generally accepted accounting principles, prior to fiscal 2014 we recognized a significant portion of revenue through distributors at the time the distributor resold the product to its end customer (also referred to as the sell-through basis of revenue recognition) given the difficulty in estimating the ultimate price of these product shipments and amount of potential returns. In the fourth quarter of 2014, the Company began recognizing revenue on certain product families and with certain distributors (less its estimate of future price adjustments and returns) upon shipment to the distributors (also referred to as the sell-in basis of revenue recognition).

During the three months ended July 3, 2016 , we recognized an incremental \$24.2 million of revenue on new product families or distributors for which we recognized revenue on a sell-in basis. This change resulted in a reduction to net loss of approximately \$6.8 million for the three months ended July 3, 2016 , or \$0.02 per basic and diluted share. During the six months ended July 3, 2016, we recognized approximately \$40.6 million of incremental revenue from this change in revenue recognition, which resulted in a decrease to our net loss of approximately \$14.2 million for the six months ended July 3, 2016, or approximately \$0.05 per basic and diluted shares.

The following table summarizes our consolidated revenues by segments:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Microcontroller and Connectivity Division	\$ 360,533	\$ 208,453	\$ 678,434	\$ 415,275
Memory Products Division	\$ 233,243	\$ 241,674	\$ 447,216	\$ 453,816
Total revenues	\$ 593,776	\$ 450,127	\$ 1,125,650	\$ 869,091

Microcontroller and Connectivity Division:

Revenues recorded by MCD increased by \$152.1 million , or 73.0% , in the three months ended July 2, 2017 compared to the same prior year period. The increase was primarily driven by the acquisition of the IoT business from Broadcom. Additionally, MCD revenues increased in the three months ended July 2, 2017 as compared to the same prior year period, due to increased revenue from the automotive segment and from our USB-C products. The overall average selling price of our products for MCD for the three months ended July 2, 2017 was \$1.06 which increased by \$0.04, compared with the same prior year period. The increase is attributed to the higher average selling prices (ASPs) of the wireless products.

Revenues recorded by MCD increased by \$263.2 million , or 63.4% , in the six months ended July 2, 2017 compared to the same prior year period. The increase was primarily driven by the acquisition of the IoT business from Broadcom. Additionally, MCD revenues increased in the six months ended July 2, 2017 as compared to the same prior year period, due to increased revenue from the automotive segment. The overall ASP of our products for MCD for the six months ended July 2, 2017 was \$1.09, which increased by \$0.05 compared with the same prior year period. The increase is primarily is attributed to the higher ASPs of the wireless products.

Memory Products Division:

Revenues recorded by MPD decreased by \$8.4 million , or 3.5% , in the three months ended July 2, 2017 compared to the same prior year period. The decrease was primarily due to \$9.6 million of revenue decline from the Flash memory business. The overall ASP of our products for MPD for the three months ended July 2, 2017 was \$1.29, which increased by \$0.02, compared with the same prior year period.

Revenues recorded by MPD decreased by \$6.6 million , or 1.5% , in the six months ended July 2, 2017 compared to the same prior year period. The decrease was primarily due to \$5.4 million of revenue decline from the Flash memory business. The overall ASP of our products for MPD for the six months ended July 2, 2017 was \$1.27, which is unchanged from the same prior year period.

Cost of Revenues

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Cost of revenues	\$ 357,594	\$ 291,349	\$ 690,408	\$ 584,528
As a percentage of revenue	60.2%	64.7%	61.3%	67.3%

Our cost of revenue ratio improved to 60.2% in the three months ended July 2, 2017 from 64.7% in the three months ended July 3, 2016 . One of the primary drivers of the improvement in the cost of revenue ratio was higher fab utilization which increased from 53% in the three months ended July 3, 2016 to 75% in the three months ended July 2, 2017 . Additionally, our cost of revenue ratio improved due to the IoT acquisition, which has a lower cost of revenues ratio than the company average. This was partially offset by higher write downs of carrying value of inventory during the three months ended July 2, 2017 as compared to the same prior year period. Write-down of inventories during the three months ended July 2, 2017 was \$9.0 million as compared to \$7.6 million in the three months ended July 3, 2016 , which unfavorably impacted our cost of revenue ratio by 1.5% for the three months ended July 2, 2017 and unfavorably impacted our cost of revenue ratio by 1.7% for the three months ended July 3, 2016 . Sale of inventory that was previously written off or written down aggregated to \$11.3 million and \$14.1 million for the second quarters of fiscal years 2017 and 2016, which favorably impacted our cost of revenue ratio by 1.9% and 3.1%, respectively.

Our cost of revenue ratio improved to 61.3% in the six months ended July 2, 2017 from 67.3% in the six months ended July 3, 2016 . One of the primary drivers of the improvement in the cost of revenue ratio was lower Spansion acquisition-related

expenses, which declined \$16.5 million in the six months ended July 2, 2017 compared to the same prior-year period. Another major contributor in the improvement in the cost of revenue ratio was higher fab utilization which increased from 53% in the six months ended July 3, 2016 to 69% in the six months ended July 2, 2017. Additionally, our cost of revenue ratio improved due to the IoT acquisition, which has a lower cost of revenues ratio than the company average. This was partially offset by higher write downs of carrying value of inventory during the six months ended July 2, 2017 as compared to the same prior year period. Write-down of inventories during the six months ended July 2, 2017 was \$19.1 million as compared to \$15.6 million in the six months ended July 3, 2016. Sale of inventory that was previously written off or written down aggregated to \$18.9 million and \$21.2 million for the six months ended July 2, 2017 and July 3, 2016, respectively, which favorably impacted our cost of revenue ratio by 1.7% and 2.4%, respectively.

Research and Development (“R&D”) Expenses

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
R&D expenses	\$ 89,736	\$ 70,171	\$ 178,217	\$ 144,138
As a percentage of revenues	15.1%	15.6%	15.8%	16.6%

R&D expenses increased by \$ 19.6 million in the three months ended July 2, 2017 compared to the same prior-year period. The increase was mainly attributable to \$12.9 million of expenses due to the IoT business acquisition, comprised of labor costs due to increased headcount. Additionally, there was an increase of \$ 5.9 million in stock-based compensation expense.

R&D expenses increased by \$ 34.1 million in the six months ended July 2, 2017 compared to the same prior-year period. The increase was attributable to a \$36.9 million increase in expenses due to the IoT business acquisition, primarily comprised of \$26.0 million in labor costs due to increased headcount and a \$10.9 million increase in expensed assets and other allocated operating expenses. Additionally, there was an increase of \$ 10.8 million in stock-based compensation expense. These increases were offset by a \$7.2 million decrease in miscellaneous R&D expenses and a \$4.9 million decrease in repair and maintenance expenses and other allocated operating expenses.

Selling, General and Administrative (“SG&A”) Expenses

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
SG&A expenses	\$ 81,243	\$ 81,836	\$ 155,090	\$ 156,336
As a percentage of revenues	13.7%	18.2%	13.8%	18.0%

SG&A expenses decreased by \$ 0.6 million in the three months ended July 2, 2017 compared to the same prior-year period. The decrease was primarily due to \$7.8 million lower acquisition related expenses. The decrease was offset by \$6.7 million increase in labor expenses mainly due to increased headcount from the IoT business.

SG&A expenses decreased by \$ 1.2 million in the six months ended July 2, 2017 compared to the same prior-year period. The decrease was primarily due to \$7.8 million lower acquisition related costs, as well as \$4.5 million of CEO severance costs incurred in the six months ended July 3, 2016. No CEO severance costs were incurred in the six months ended July 2, 2017. These decreases were offset by \$11.2 million increase in labor expenses as a result of increased headcount from the IoT business and an increase in marketing costs.

Costs and settlement charges related to shareholder matter

During the three and six months ended July 2, 2017, the Company incurred \$12.0 million and \$14.3 million of litigation and proxy related expenses, respectively, which includes \$3.5 million in reimbursement charges incurred in connection with the cooperation and settlement agreement entered into with Mr. Rodgers.

Amortization of Acquisition-Related Intangible Assets

Amortization expense increased by \$16.7 million in the three months ended July 2, 2017 compared to the same period in the prior year. The increase was mainly due to the amortization of the intangibles acquired in connection with the IoT business acquisition, as well as the amortization related to certain capitalized in-process research and development projects.

Amortization expense increased by \$29.8 million in the six months ended July 2, 2017 compared to the same period in the prior year. The increase was mainly due to the amortization of the intangibles acquired in connection with the IoT business acquisition, as well as the amortization related to certain capitalized in-process research and development projects.

Impairment of Acquisition-Related Intangible Assets

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

There were no impairment charges of acquisition-related intangibles during the first half of fiscal 2017.

Restructuring

2016 Restructuring Plan

In September 2016, we began the implementation of a reduction in workforce ("2016 Plan") which will result in elimination of approximately 430 positions worldwide across various functions. The restructuring charge of \$0.9 million recorded for the three months ended July 2, 2017 consists of personnel costs and facilities related expenses. The restructuring charge of \$3.5 million recorded for the six months ended July 2, 2017 consists of personnel costs of \$1.9 million and other charges related to the write-off of certain licenses and facilities related expenses of \$1.6 million. We expect that the cash costs incurred under the 2016 Plan will be paid out through fiscal 2017.

Spansion Integration-Related Restructuring Plan

In March 2015, we implemented cost reduction and restructuring activities in connection with the Merger. The restructuring charge of \$0.9 million recorded for the six months ended July 3, 2016 consists primarily of severance costs and impairment of property, plant and equipment. No restructuring charges related to the Spansion Integration Plan were recorded for the six months ended July 2, 2017.

We anticipate that the remaining 2016 Plan restructuring accrual balance of \$2.8 million will be paid out in cash through the end of fiscal 2017 for employee terminations and facilities related expenses, and the remaining Spansion Integration Plan accrual balance of \$12.7 million will be paid over the lease term through 2026 for the excess lease obligation related to the buildings Spansion had leased prior to the Merger, which the Company decided not to occupy in the post-Merger period.

Income Taxes

Our income tax expense was \$ 4.5 million and income tax benefit was \$ 5.2 million for the three months ended July 2, 2017 and July 3, 2016, respectively. Our income tax expense was \$9.4 million and income tax benefit was \$1.5 million for the six months ended July 2, 2017 and July 3, 2016, respectively. The income tax expense for the three and six months ended July 2, 2017 was primarily attributable to non-U.S. taxes on income earned in foreign jurisdictions. The income tax benefit for the three and six months ended July 3, 2016 was primarily attributable to a release of previously accrued taxes related to the lapsing of statutes of limitation, offset by income taxes associated with our non-U.S. operations.

Liquidity and Capital Resources

The following table summarizes information regarding our cash and cash equivalents and short-term investments and working capital:

	As of	
	July 2, 2017	January 1, 2017
	(In thousands)	
Cash, cash equivalents and short-term investments	\$ 108,771	\$ 121,144
Working capital	\$ 235,286	\$ 191,486

Key Components of Cash Flows

	Six Months Ended	
	July 2, 2017	July 3, 2016
	(In thousands)	
Net cash provided by operating activities	\$ 58,168	\$ 22,503
Net cash provided by (used in) investing activities	\$ 6,658	\$ (34,183)
Net cash used in financing activities	\$ (76,227)	\$ (26,677)

Operating Activities

Net cash provided by operating activities during the six months ended July 2, 2017 was \$58.2 million as compared to \$22.5 million in the six months ended July 3, 2016. Net loss recorded during the first half of fiscal 2017 was \$68.6 million which was offset by net non-cash items of \$206.8 million and an \$80.1 million decrease in cash due to changes in operating assets and liabilities. The non-cash items during the first half of fiscal 2017 primarily consisted of:

- depreciation and amortization of \$131.3 million ,
- stock-based compensation expense of \$56.3 million ,
- restructuring costs of \$3.5 million ,
- accretion of interest expense on Senior Exchangeable Notes and amortization of debt and financing costs on other debt of \$10.1 million , and
- share in net loss of equity method investees of \$9.9 million .

Decrease in net cash due to changes in operating assets and liabilities for the six months ended July 2, 2017 of \$80.1 million was primarily due to the following:

- a decrease in accounts payable and accrued and other liabilities of \$56.1 million mainly due to timing of payments and payments related to restructuring activities,
- an increase in inventories of \$24.3 million to support expected demand of IoT and MCD products during remainder of fiscal 2017,
- an increase of \$8.8 million in price adjustments and other revenue reserves for sales to distributors due to the change in revenue recognition for certain product families on a sell-in basis, which required us to record a reserve for distributor price adjustments based on our estimate of historical experience rates, and
- an increase in accounts receivable of \$3.5 million mainly due to increase in revenue. Days sales outstanding for the first half of fiscal 2017 was 51 days as compared to 61 days in the first half of fiscal 2016.

Investing Activities

During the six months ended July 2, 2017 , we generated approximately \$6.7 million of cash in our investing activities primarily due to;

- \$31.6 million of cash received on sale of the wafer manufacturing facility located in Bloomington, Minnesota and a building in Austin, Texas,
- receipt of \$6.5 million of previously escrowed consideration from the divestiture of our TrueTouch® mobile touchscreen business,
- the above increases were offset by \$29.4 million of cash used for property and equipment expenditures relating to purchases of certain tooling, laboratory and manufacturing facility equipment and \$5.6 million related to our investment in Enovix.

Financing Activities

During the six months ended July 2, 2017 , we used approximately \$76.2 million of cash in our financing activities primarily related to \$71.8 million dividend payment, net repayments of \$15.0 million on the revolving credit facility, and \$15.0 million of scheduled repayment of Term Loan A and Term Loan B. Such borrowings were offset by \$31.8 million of proceeds from employee equity awards.

Liquidity and Contractual Obligations

Contractual Obligations

The following table summarizes our contractual obligations as of July 2, 2017 :

	Total	2017	2018 and 2019	2020 and 2021	After 2021
	(In thousands)				
Purchase obligations (1)	\$ 427,637	\$ 86,630	\$ 229,827	\$ 111,180	\$ —
Operating lease commitments (2)	71,195	9,745	24,530	14,630	22,290
2.00% Senior Exchangeable Notes	149,990	—	—	149,990	—
4.50% Senior Exchangeable Notes	287,500	—	—	—	287,500
Term Loan A	91,250	3,750	17,500	70,000	—
Term Loan B	433,125	11,250	47,835	374,040	—
Interest payment on debt	211,154	44,051	100,006	60,484	6,613
Revolving credit facility	317,000	—	—	317,000	—
Total contractual obligations	<u>\$ 1,988,851</u>	<u>\$ 155,426</u>	<u>\$ 419,698</u>	<u>\$ 1,097,324</u>	<u>\$ 316,403</u>

- (1) Purchase obligations primarily include non-cancelable purchase orders for materials, services, manufacturing equipment, building improvements and supplies in the ordinary course of business. Purchase obligations are defined as enforceable agreements that are legally binding on us and that specify all significant terms, including quantity, price and timing.
- (2) Operating leases include payments relating to Spansion's lease for office space in San Jose for a new headquarters entered into May 22, 2014, which is no longer in use. The lease is for a period of 12 years, with two options to extend for periods of five years each after the initial lease term. The term of the lease commenced on January 1, 2015 and expires on December 31, 2026.

As of July 2, 2017, our unrecognized tax benefits were \$25.8 million, which were classified as long-term liabilities. We believe it is possible that we may recognize up to approximately \$0.2 million of our existing unrecognized tax benefits within the next twelve months as a result of the lapse of statutes of limitations and the resolution of agreements with domestic and various foreign tax authorities.

Capital Resources and Financial Condition

Our long-term strategy is to maintain a minimum amount of cash and cash equivalents for operational purposes and to invest the remaining amount of our cash in interest-bearing and highly liquid cash equivalents and debt securities, payments of regularly scheduled cash dividends, and the repayment of debt. As of July 2, 2017, our cash, cash equivalents and short-term investment balance was \$108.8 million as compared to \$121.1 million as of January 1, 2017. As of July 2, 2017 approximately 22.7% of our cash was owned by our non-U.S. subsidiaries. While these amounts are primarily denominated in U.S. dollars, a portion is denominated in foreign currencies. All non-U.S. cash 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. However, the Company has significant U.S. net operating losses to negate any U.S. tax impact of cash repatriation.

We believe that the liquidity provided by existing cash, cash equivalents and available-for-sale investments and our borrowing arrangements will provide sufficient capital to meet our requirements for at least the next twelve months. However, should economic conditions and/or financial, business and other factors beyond our control adversely affect the estimates of our future cash requirements, we could be required to fund our cash requirements by alternative financing. There can be no assurance that additional financing, if needed, would be available on terms acceptable to us or at all. In addition, we may choose at any time to raise additional capital or debt to strengthen our financial position, facilitate growth, enter into strategic initiatives (including the acquisition of other companies) and provide us with additional flexibility to take advantage of other business opportunities that arise. As of July 2, 2017, we were in compliance with all of the financial covenants under all of our debt facilities.

Critical Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and the data used to prepare them. Our Condensed 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 Condensed Consolidated Financial Statements under Part I Item 1 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, 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.

As discussed in Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the year ended January 1, 2017, we consider the following accounting policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements:

- Revenue Recognition
- Business Combinations
- Valuation of Inventories
- Valuation of Long-Lived Assets
- Valuation of Goodwill
- Cash Flow Hedges
- Stock-Based Compensation
- Employee Benefits Plan
- Accounting for Income Taxes

There have been no changes to our critical accounting policies and estimates since the filing of our Annual Report on Form 10-K for the year ended January 1, 2017.

ITEM 3. 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, certificates of deposit and corporate securities. These investments are generally classified as available-for-sale and, consequently, are recorded on our balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income in stockholders' equity. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate increase in interest rates would have a material effect on the fair 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 Convertible Notes. Interest on the Convertible 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 LIBOR. For example, a one hundred basis point change in the contractual interest rates would change our interest expense for the Term Loans by approximately \$5.0 million annually.

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

Foreign Currency Exchange Risk

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

For example,

- sales of our products to Fujitsu are denominated in U.S. dollars, Japanese yen and Euros;

- some of our manufacturing costs and operating expenses are denominated in Japanese yen, and other foreign currencies such as the Thai baht 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 also hedge a percentage of our forecasted revenue denominated in Japanese yen with foreign currency forward contracts. The objective of these contracts is to mitigate impact of foreign currency exchange rate movements to our operating results on a short term basis. We do not use these contracts for speculative or trading purposes.

We recognize derivative instruments from hedging activities as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. We record changes in the intrinsic value of these cash flow hedges in accumulated other comprehensive loss on the Condensed 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 Condensed 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 interest and other income, net in our Condensed Consolidated Statements of Operations at that time.

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

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the three months ended July 2, 2017, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this item is included in Note 10 of Notes to Condensed Consolidated Financial Statements under Item 1, Part I of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, including the following risk factor, you should carefully consider the risks and uncertainties discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 1, 2017, which could materially affect our business, financial condition or future results. Unless they materially change, risk factors in the 10-K are not repeated here, but are incorporated by reference from the Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially and adversely affect our business, financial condition and/or operating results.

Recent turnover with our Board of Directors 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. In the past two months, Raymond Bingham (who was also our Executive Chairman), Eric Benhamou, and Wilbert van den Hoek all departed our Board, and J. Daniel McCranie and Camillo Martino (two new directors) were elected to our Board. This 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 disrupt our operations and seriously harm our operations and business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	File No.	
10.1	Cypress Semiconductor Corporation 2013 Stock Plan (Amended and Restated as of June 20, 2017).				X
10.2	Form of Restricted Stock Unit Agreement under the Cypress Semiconductor Corporation 2013 Stock Plan.				X
10.3	Mutual Release Agreement, dated as of June 11, 2017, by and between Cypress Semiconductor Corporation and H. Raymond Bingham.	8-K	6/12/2017	001-10079	
10.4	Cooperation and Settlement Agreement, dated June 30, 2017.	8-K	7/6/2017	001-10079	
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1+	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2+	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.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

+ Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CYPRESS SEMICONDUCTOR CORPORATION

Date: July 28, 2017

By: _____ /s/ THAD TRENT

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

EXHIBIT INDEX

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CYPRESS SEMICONDUCTOR CORPORATION

2013 STOCK PLAN

(Amended and Restated as of June 20, 2017)

1. PURPOSES OF THE PLAN. THE PURPOSES OF THIS STOCK PLAN ARE:

- to promote the long-term success of the Company's business;
- to attract and retain the best available personnel for positions of substantial responsibility; and
- to provide long-term incentive to Employees, Consultants and Outside Directors that is aligned with the long-term interest of the Company's stockholders.

2. COMPONENTS OF THE PLAN. THE PLAN PROVIDES FOR:

- the discretionary granting of Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units to Employees, Consultants and Outside Directors, which Options may be either Incentive Stock Options (for Employees only) or Nonstatutory Stock Options, as determined by the Administrator at the time of grant; and
- the grant of Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units to Outside Directors pursuant to an automatic, non-discretionary formula.

3. SHARES SUBJECT TO THE PLAN. Subject to any adjustments contemplated under Section 16 of the Plan, the maximum aggregated number of Shares authorized for issuance under the Plan is 203,635,220. The Shares may be authorized, but unissued, or reacquired Common Stock. Any Shares subject to Options or Stock Appreciation Rights shall be counted against the numerical limits of this Section 3 as one Share for every Share subject thereto. Any Shares of Restricted Stock or Restricted Stock Units with a per Share or unit purchase price lower than 100% of Fair Market Value on the date of grant shall be counted against the numerical limits of this Section 3 as 1.88 Shares for every one Share subject thereto. To the extent that a Share that was subject to an Award that counted as 1.88 Shares against the Plan reserve pursuant to the preceding sentence is recycled back into the Plan under the next paragraph of this Section 3, the Plan shall be credited with 1.88 Shares.

Subject to Section 16 of the Plan, if any Shares that have been subject to an Option or SAR (whether granted under this Plan or the Terminated Plans) cease to be subject to such Option or SAR (other than through exercise of the Option or SAR), or if any Option or SAR granted hereunder or thereunder is forfeited, or any Option or SAR otherwise terminates prior to the issuance of Common Stock to the Participant, the Shares that were subject to such Option or SAR shall again be available for distribution in connection with future awards under the Plan (unless the Plan has terminated).

Shares that have actually been issued under the Plan upon exercise of an Option shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan. With respect to SARs, when an SAR is exercised, the full number of shares subject to the SAR or portion thereof being exercised shall be counted against the numerical limits of this Section 3 above as one Share for every Share subject thereto, regardless of the number of Shares used to settle the SAR upon exercise. For example, if an SAR covering 100 shares is exercised by a Participant and the Participant receives 80 Shares (with 20 Shares withheld to cover the SAR exercise

price), the Plan Share reserve shall be debited the full 100 Shares and such Shares will not be available for future distribution under the Plan. Similarly, if Shares are withheld to satisfy the minimum statutory withholding obligations arising in connection with the vesting, exercise or issuance of any Award (or delivery of the related Shares), such withheld Shares will not be available for future issuance under the Plan.

Shares of Restricted Stock (including Restricted Stock Units) that do not vest and thus are forfeited back to or repurchased by the Company shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares of Restricted Stock or Restricted Stock Units that vest shall not in any event be returned to the Plan and shall not become available for future distribution under the Plan.

Notwithstanding the foregoing and, subject to adjustment as provided in Section 16 of the Plan, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate Share number stated in the first paragraph of Section 3, plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to the second and third paragraphs of this Section 3.

4. ADMINISTRATION OF THE PLAN.

4.1 Procedure.

4.1.1 Multiple Administrative Bodies. The Plan may be administered by different Committees with respect to different groups of Employees, Consultants and Directors.

4.1.2 Section 162(m). To the extent that the Administrator determines it to be desirable to grant Awards hereunder that are intended to constitute qualified "performance-based compensation" within the meaning of Section 162(m) of the Code, the Plan shall be administered by a Committee of two or more "outside directors" within the meaning of Section 162(m) of the Code.

4.1.3 Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.

4.1.4 Other Administration. Other than as provided above, the Plan shall be administered by (A) the Board or (B) a Committee, which Committee shall be constituted to satisfy Applicable Laws.

4.1.5 Administration With Respect to Automatic Grants to Outside Directors. Automatic grants to Outside Directors shall be pursuant to a non-discretionary formula as set forth in Section 10 hereof and therefore shall not be subject to any discretionary administration.

4.2 Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

4.2.1 to determine the Fair Market Value of the Common Stock, in accordance with subsection 24.17 of the Plan;

4.2.2 to select the Consultants, Employees and Outside Directors to whom Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units may be granted hereunder;

4.2.3 to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Stock or Restricted Stock Units are granted hereunder;

4.2.4 to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

4.2.5 to approve forms of agreement, including electronic forms, for use under the Plan;

4.2.6 to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or SARs may be exercised and when Restricted Stock or Restricted Stock Units vest or are issued (which may, in either case, be based on performance criteria), any vesting acceleration or waiver of forfeiture or repurchase restrictions, any deferral features for Restricted Stock or Restricted Stock Units, including those with performance-based vesting criteria, and any restriction or limitation regarding any Award or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

4.2.7 to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

4.2.8 to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

4.2.9 to modify or amend each Award (subject to Section 19 of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options or SARs longer than is otherwise provided for in the Plan (but not longer than the original Option or SAR term);

4.2.10 to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option or SAR or the vesting or issuance of Restricted Stock or Restricted Stock Units that number of Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;

4.2.11 to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

4.2.12 to determine the terms and restrictions applicable to Awards; and

4.2.13 to make all other determinations deemed necessary or advisable for administering the Plan.

4.3 Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants and any other holders of Awards.

5. ELIGIBILITY.

5.1 Discretionary Awards. Nonstatutory Stock Options, SARs, Restricted Stock and Restricted Stock Unit Awards may be granted to Employees, Consultants and Outside Directors. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee, Consultant or Outside Director who has been granted an Award may be granted additional Awards.

5.2 Outside Director Awards. Outside Directors shall also receive automatically granted Awards pursuant to Section 10 hereof.

6. LIMITATIONS.

6.1 Each Option shall be designated in the Notice of Grant or Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value:

6.1.1 of Shares subject to a Participant's incentive stock options granted by the Company, any Parent or Subsidiary, which

6.1.2 become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6.1.2, incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

6.2 Neither the Plan nor any Award shall confer upon any Participant any right with respect to continuing the Participant's employment or consulting relationship or tenure as a director with the Company, nor shall they interfere in any way with the Participant's, the Company's, or the Company's stockholders', right to terminate such employment or consulting relationship or tenure as a Director with the Company at any time, with or without cause.

6.3 The following limitations shall apply to grants of Options and SARs to Employees:

6.3.1 No Employee shall be granted, in any fiscal year of the Company, Options and SARs to purchase, in the aggregate, more than 3,000,000 Shares.

6.3.2 The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization as described in subsection 16.1 and any spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary as described in subsection 16.4.

6.3.3 If an Option or SAR is cancelled (other than in connection with a transaction described in Section 16), the cancelled Option or SAR will be counted against the limit set forth in subsection 6.3.1. For this purpose, if the exercise price of an Option or SAR is reduced (which would require prior stockholder approval pursuant to Section 23 hereof), the transaction will be treated as a cancellation of the Option or SAR and the grant of a new Option or SAR.

7. TERM OF PLAN. The plan was amended and restated in 2017. It shall continue in effect until April 14, 2027, unless terminated earlier under Section 18 of the plan.

8. TERM OF OPTION OR SAR. The term of each option or SAR shall be eight (8) years from the date of grant or such shorter term as may be provided in the notice of grant, option or SAR agreement. In the case of an incentive stock option granted to a participant who, at the time the incentive stock option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the company or any parent or subsidiary, the term of the incentive stock option shall be five (5) years from the date of grant or such shorter term as may be provided in the notice of grant or option agreement.

9. OPTION AND SAR EXERCISE PRICE; OPTION CONSIDERATION.

9.1 Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option or SAR shall be determined by the Administrator, subject to the following:

9.1.1 In the case of an Incentive Stock Option

9.1.1.1 granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

9.1.1.2 granted to any Employee other than an Employee described in paragraph (9.1.1.1) immediately above, the per Share exercise price shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

9.1.2 In the case of a Nonstatutory Stock Option or an SAR, the per Share exercise price shall be no less than one hundred percent (100%) of Fair Market Value per Share on the date of grant.

9.2 Vesting Period and Exercise Dates. At the time an Option or SAR is granted, the Administrator shall fix the period within which the Option or SAR may be exercised and shall determine any conditions which must be satisfied before the Option or SAR may be exercised. In so doing, the Administrator may specify that an Option or SAR may not be exercised until the completion of a service period or until certain performance milestones are achieved.

9.3 Form of Option Consideration. Except with respect to automatic stock option grants to Outside Directors, the Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. The form of consideration shall be set forth in the Notice of Grant or Option Agreement and may, as determined by the Administrator (and to the extent consistent with Applicable Laws), consist entirely of:

9.3.1 cash;

9.3.2 check;

9.3.3 promissory note;

9.3.4 other previously-owned Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

9.3.5 delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

9.3.6 any combination of the foregoing methods of payment; or

9.3.7 such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. GRANTS TO OUTSIDE DIRECTORS.

10.1 Procedure for Grants. Each Outside Director shall be granted an Award on the date of his or her initial election or appointment to the Board and annually thereafter on the date of the annual stockholder meeting (so long as the Outside Director is elected at the annual stockholder meeting and has been serving as such for at least three months prior to the annual meeting date), in an amount determined by the Administrator in its sole discretion. Such Awards shall vest and be payable and subject to such other terms and conditions as may be determined by the Administrator.

10.2 Outside Director Award Limitations. No Outside Director may be granted, in any fiscal year of the Company, Awards, with a grant date fair value (determined in accordance with either GAAP or IASB principles) of more than \$500,000, increased to \$750,000 in connection with his or her initial service.

10.3 Consideration for Exercising Outside Director Stock Options. The consideration to be paid for the Shares to be issued upon exercise of an Outside Director Option (granted on or prior to May 22, 2009) shall consist entirely of cash, check, other Shares of previously owned Common Stock which have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, and, for Options granted on or after the 2004 Company annual stockholder meeting, to the extent permitted by Applicable Laws, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and

delivery to the Company of the sale or loan proceeds required to pay the exercise price, or any combination of such methods of payment.

10.4 Post-Directorship Exercisability.

10.4.1 Termination of Status as a Director. If an Outside Director ceases to serve as a Director, he or she may, but only within ninety (90) days, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, after the date he or she ceases to be a Director of the Company, exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise an Option at the date of such termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

10.4.2 Disability of Director. Notwithstanding the provisions of subsection 10.4.1 above, in the event a Director is unable to continue his or her service as a Director with the Company as a result of his or her Disability, he or she may, but only within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, from the date of termination, exercise his or her Option to the extent he or she was entitled to exercise it at the date of such termination. To the extent that he or she was not entitled to exercise the Option at the date of termination, or if he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

10.4.3 Death of Director. In the event of the death of a Director:

10.4.3.1 during the term of the Option who is at the time of his death a Director of the Company and who shall have been in Continuous Status as a Director since the date of grant of the Option, the Option may be exercised, at any time within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, following the date of death, by the Director's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Director continued living and remained in Continuous Status as a Director for twelve (12) months after the date of death; or

10.4.3.2 within thirty (30) days after the termination of Continuous Status as a Director, the Option may be exercised, at any time within six (6) months, or, for Options granted on or after the 2004 Company annual stockholder meeting, within one year, following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

11. EXERCISE OF OPTION OR SAR.

11.1 Procedure for Exercise; Rights as a Stockholder. Any Option or SAR granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option or SAR Agreement. An Option or SAR may not be exercised for a fraction of a Share.

An Option or SAR shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) for Options only, full payment for the Shares with respect to which the Option is exercised. Full payment for Options may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option or SAR shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the valid and appropriate entry on: the books of the Company or of a duly authorized transfer agent of the Company or in a Participant's account on the electronic platform maintained to administer the Plan), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option or SAR. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option or SAR is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 16 of the Plan.

Exercising an Option or SAR in any manner shall decrease the number of Shares thereafter available for sale under the Option or SAR by the number of Shares as to which the Option or SAR is exercised.

11.2 Termination of Service. Upon termination of a Participant's Continuous Status as an Employee, Consultant or Director, other than upon the Participant's death or Disability, the Participant may exercise the Option or SAR, but only within such period of time as is specified in the Notice of Grant, Option or SAR Agreement, and, unless otherwise determined by the Administrator, only to the extent that the Participant was entitled to exercise it at the date of termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Notice of Grant or Option Agreement). In the absence of a specified time in the Notice of Grant, Option or SAR Agreement, the Option or SAR shall remain exercisable for thirty (30) days following the Participant's termination of Continuous Status as an Employee, Consultant or Director. If, at the date of termination, the Participant is not entitled to exercise the entire Option or SAR, the Shares covered by the unexercisable portion of the Option or SAR shall revert to the Plan. If, after termination, the Participant does not exercise the Option or SAR within the time specified by the Administrator, the Option or SAR shall terminate, and the Shares covered by such Option or SAR shall revert to the Plan.

11.3 Disability of Participant. In the event that a Participant's Continuous Status as an Employee, Consultant or Director terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR at any time within six (6) months or such other period of time not exceeding twelve (12) months, as is specified in the Notice of Grant, Option or SAR Agreement, except in the case of stock option grants to Outside Directors, which shall be exercised as specified in Section 10. Unless otherwise determined by the Administrator, any such Options or SARs may only be exercised to the extent that the Participant was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option or SAR as set forth in the Notice of Grant, Option or SAR Agreement). If, at the date of termination, the Participant is not entitled to exercise his or her entire Option or SAR, the Shares covered by the unexercisable portion of the Option or SAR shall revert to the Plan. If, after termination, the Participant does not exercise his or her Option or SAR within the time specified herein, the Option or SAR shall terminate, and the Shares covered by such Option or SAR shall revert to the Plan.

11.4 Death of Participant. In the event of the death of a Participant (other than an Outside Director with respect to his or her stock option grant):

11.4.1 during the term of the Option or SAR who is at the time of his or her death an Employee, Consultant or Director of the Company and who shall have been in Continuous Status as an Employee, Consultant or Director since the date of grant of the Option or SAR, the Option or SAR may be exercised, at any time within six (6) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Participant continued living and remained in Continuous Status as an Employee, Consultant or Director for twelve (12) months after the date of death; or

11.4.2 within thirty (30) days after the termination of Continuous Status as an Employee, Consultant or Director, the Option or SAR may be exercised, at any time within six (6) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option or SAR by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

12. STOCK APPRECIATION RIGHTS.

12.1 The SAR shall entitle the Participant, by exercising the SAR, to receive from the Company an amount equal to the excess of (x) the Fair Market Value of the Common Stock covered by exercised portion of the SAR, as of the date of such exercise, over (y) the Fair Market Value of the Common Stock covered by the exercised portion of the SAR, as of the date on which the SAR was granted; provided, however, that the Administrator may place limits on the amount that may be paid upon exercise of a SAR.

12.2 SARs shall be exercisable, in whole or in part, at such times as the Administrator shall specify in the Participant's Award Agreement.

12.3 Form of Payment. The Company's obligation arising upon the exercise of a SAR may be paid in Common Stock or in cash, or in any combination of Common Stock and cash, as the Administrator, in its sole discretion, may determine, but only as specified in the Notice of Grant or SAR Agreement. Shares issued upon the exercise of a SAR shall be valued at their Fair Market Value as of the date of exercise.

12.4 Rule 16b-3. SARs granted hereunder shall contain such additional restrictions as may be required to be contained in the Plan or Award Agreement in order for the SAR to qualify for the maximum exemption provided by Rule 16b-3.

13. RESTRICTED STOCK/RESTRICTED STOCK UNITS.

13.1 Grant of Restricted Stock/Restricted Stock Units. Subject to the terms and conditions of the Plan, Restricted Stock or Restricted Stock Units may be granted to Employees, Consultants and Outside Directors at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to a Restricted Stock or Restricted Stock Unit Award granted to any Participant (provided that during any Fiscal Year, no Participant shall receive more than 1,500,000 Shares in the aggregate of Restricted Stock or Restricted Stock Unit Awards) (ii) whether the form of the award shall be Shares or rights to acquire Shares (i.e., Restricted Stock Units), and (iii) the conditions that must be satisfied, which may include or consist entirely of performance-based milestones, upon which is conditioned the grant or vesting of Restricted Stock or Restricted Stock Units. The foregoing

limitation in subsection 13.1(i) shall be adjusted proportionately in connection with any change in the Company's capitalization as described in subsection 16.1 and any spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary as described in subsection 16.4. For Restricted Stock Units, each such unit shall be the equivalent of one Share of Common Stock for purposes of determining the number of Shares subject to an Award. Until the stock certificate evidencing such Shares is issued (as evidenced by the valid and appropriate entry on: the books of the Company or of a duly authorized transfer agent of the Company or in a Participant's account on the electronic platform maintained to administer the Plan), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Restricted Stock or Restricted Stock Unit, notwithstanding its vesting. Except with respect to Restricted Stock or Restricted Stock Units with a deferral feature and where delivery has been deferred to a time after the vesting date, as permitted by the Administrator in its sole discretion, the Company shall issue (or cause to be issued) such stock certificate promptly after the Restricted Stock or Restricted Stock Unit vests. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 16 of the Plan and except that Restricted Stock and Restricted Stock Units that have already vested but have not yet been delivered due to the Participant's election to defer their delivery shall be credited with all dividends and other distributions relating to shares of Stock, which shall be delivered to such Participants simultaneously with the delivery of their deferred shares of Stock.

13.2 Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of Restricted Stock and Restricted Stock Unit Awards granted under the Plan. Restricted Stock and Restricted Stock Unit Awards shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time of grant, which may include such performance-based milestones as are determined appropriate by the Administrator, which may be Performance Goals, or for Restricted Stock or Restricted Stock Unit Awards not intended to qualify as "performance-based compensation" under Code Section 162(m), may be other performance-based milestones. The Administrator may require the recipient to sign a Restricted Stock or Restricted Stock Unit Agreement as a condition of the Award. Any certificates representing the shares of Common Stock awarded shall bear such legends as shall be determined by the Administrator.

13.3 Restricted Stock or Restricted Stock Unit Award Agreement. Each Restricted Stock or Restricted Stock Unit grant shall be evidenced by an Award agreement that shall specify the purchase price (if any) and such other terms and conditions as the Administrator, in its sole discretion, shall determine; provided; however, that if the Restricted Stock or Restricted Stock Unit Award has a purchase price, such purchase price must be paid no later than the earlier of (i) eight (8) years following the date of grant, or (ii) the vesting date.

13.4 Section 162(m) Performance Restrictions. For purposes of qualifying grants of Restricted Stock or Restricted Stock Units as "performance-based compensation" under Section 162(m) of the Code, the Administrator, in its discretion, may set restrictions based upon the achievement of Performance Goals. The Performance Goals shall be set by the Administrator on or before the latest date permissible to enable the Restricted Stock or Restricted Stock Units to qualify as "performance-based compensation" under Section 162(m) of the Code. In granting Restricted Stock or Restricted Stock Units which is intended to qualify under Section 162(m) of the Code, the Administrator shall follow any procedures determined by it from time to time to be necessary or appropriate to ensure qualification of the Restricted Stock or Restricted Stock Units under Section 162(m) of the Code (e.g., in determining the Performance Goals).

13.5 Restricted Stock/Restricted Stock Unit Deferrals. The Administrator, in its sole discretion, may permit Participants to defer the settlement of Restricted Stock or Restricted Stock Units in accordance with Code Section 409A and with rules and procedures established by the Administrator. Any deferred Restricted Stock or Restricted Stock Units shall remain subject to the claims of the Company's general creditors until distributed to the Participant.

14. LEAVES OF ABSENCE. Unless the administrator provides otherwise, and subject to applicable laws, vesting of awards granted hereunder shall cease during any unpaid leave of absence. Moreover, unless the administrator provides otherwise, any employee who transfers his or her employment to a subsidiary and receives an equity incentive covering such subsidiary's equity securities in connection with such transfer, shall cease vesting in awards granted under this plan until such time, if any, as such employee transfers from the employ of such subsidiary or another subsidiary directly back to the employ of the company.

15. TRANSFERABILITY OF AWARDS. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the participant, only by the participant; provided, however, that the Administrator, in its discretion, may permit the transfer of Awards to living trusts or other estate planning entities as permitted under Form S-8 promulgated under the Securities Act of 1933. If the administrator makes an Award transferable, such Award shall contain such additional terms and conditions as the administrator deems appropriate; provided, however, that in no event may an Award be transferred in exchange for consideration.

16. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR SIMILAR TRANSACTION, DISSOLUTION, MERGER, ASSET SALE OR CHANGE OF CONTROL.

16.1 Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award (including deferred Restricted Stock and Restricted Stock Unit Awards that have not been settled), and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award or forfeiture or repurchase of unvested Restricted Stock or Restricted Stock Units, the price per share, if any, of Common Stock covered by each such outstanding Award, the limit on the number of Shares subject to an Option or SAR that may be granted to an Employee in any fiscal year under subsection 6.3.1, as well as the limit of the number of Shares that may be issued as Restricted Stock or Restricted Stock Unit Awards under subsection 13.1, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option, SAR, Restricted Stock, or Restricted Stock Unit award.

16.2 Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, with respect to discretionary Awards granted under the Plan (but not with respect to Awards granted to

Outside Directors) the Board may, in the exercise of its sole discretion in such instances, declare that any such Award shall terminate as of a date fixed by the Board and give each Participant the right to exercise his or her Option or SAR as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable or accelerate the vesting of a Participant's Restricted Stock or Restricted Stock Unit Award.

16.3 Merger or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of all (or substantially all) of the assets of the Company, each outstanding Award shall be assumed or an equivalent Award shall be substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. With respect to a discretionary Award granted under the Plan (but not with respect to Options granted to Outside Directors under Section 10), the Administrator may, in the exercise of its sole discretion and in lieu of such assumption or substitution, provide for the Participant to have the right to exercise such Option or SAR as to all of the Optioned Stock, including as to Shares which would not otherwise be exercisable and/or provide for the accelerated vesting of Restricted Stock or Restricted Stock Units. With respect to Options and restricted stock units granted to Outside Directors under Section 10, in the event that the successor corporation does not agree to assume such Options and restricted stock units or to substitute equivalent options or rights, each such outstanding Option and restricted stock unit shall become fully vested and exercisable, including as to Shares and units as to which it would not otherwise be exercisable, unless the Board, in its discretion, determines otherwise.

If the Administrator makes a discretionary Option or SAR fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Participant that the Option or SAR shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the Option or SAR will terminate upon the expiration of such period.

For the purposes of this subsection, the Award shall be considered assumed if, following the merger or sale of assets, the Award confers the right to purchase (or, in the case of Restricted Stock or Restricted Stock Units without a purchase price, receive), for each Share subject to the Award immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or SAR or vesting of the Restricted Stock or Restricted Stock Unit Award, for each Share subject to the Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

16.4 Spin-Off or Split-Off. Subject to any required action by the stockholders of the Company, the number and/or type of shares covered by each outstanding Award (including deferred Restricted Stock and Restricted Stock Unit Awards that have not been settled), the number and/or type of shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award or forfeiture or repurchase of unvested Restricted Stock or Restricted Stock Units, the price per share, if any, of Common Stock covered by each such outstanding Award and the limit on the number of Shares subject to an Option or SAR that may be granted to an Employee in any fiscal year under subsection 6.3.1, as well as the limit of the number of Shares that may be issued as Restricted Stock or Restricted Stock Unit Awards under subsection 13.1 shall be appropriately and proportionately adjusted to account

for any increase or diminution in value of an Award resulting from a spin-off, split-off or similar transaction involving equity securities of a Subsidiary or former Subsidiary. Any such automatic and non-discretionary adjustment or action shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

17. AWARD GRANT DATE. The date of grant of an award shall be, for all purposes, the date on which the administrator makes the determination granting such Option, SAR, Restricted Stock, or Restricted Stock Unit award, or such other later date as is determined by the administrator. Notice of the determination shall be provided to each participant within a reasonable time after the date of such grant.

18. AMENDMENT AND TERMINATION OF THE PLAN.

18.1 Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

18.2 Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws. Shares may not be added to the Plan (other than pursuant to Sections 3, 16.1, or 16.4 hereof) without obtaining stockholder approval.

19. Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company.

20. CONDITIONS UPON ISSUANCE OF SHARES.

20.1 Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option or SAR or vesting of a Restricted Stock or Restricted Stock Unit Award unless the exercise of such Option or SAR or vesting of such Restricted Stock or Restricted Stock Unit Award and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel, as needed, for the Company with respect to such compliance.

20.2 Investment Representations. As a condition to the exercise of an Option or SAR or purchase of Restricted Stock or Restricted Stock Unit, the Company may require the person exercising such Option or SAR or purchasing such Restricted Stock or Restricted Stock Unit to represent and warrant at the time of any such exercise or purchase that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

21. LIABILITY OF COMPANY.

21.1 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority was not obtained.

21.2 Awards Exceeding Allotted Shares. If the Shares covered by an Award exceed, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Award shall be void with respect to such excess Shares, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with subsection 18.2 of the Plan.

22. RESERVATION OF SHARES; SECTION 409A; NO REPRESENTATIONS OR COVENANTS AS TO TAX QUALIFICATIONS. The Company, during the term of this Plan, will at all times reserve and keep available such number of shares as shall be sufficient to satisfy the requirements of the Plan.

Except as provided in the paragraph below, to the extent that the Administrator determines that any Award is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the effective date of the Plan or any amendment thereto. Notwithstanding any provision of the Plan to the contrary, in the event that following the date an Award is granted the Administrator determines that the Award may be subject to Section 409A of the Code and related U.S. Department of Treasury guidance (including such U.S. Department of Treasury guidance as may be issued after the effective date of the Plan or any amendment thereto), the Administrator may, without consent of the Participant, adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including amendments or actions that would result in a reduction to the benefits payable under an Award, in each case, without the consent of the Participant, as applicable, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A of the Code if compliance is not practical.

Although the Company may endeavor to (1) qualify an Award for favorable tax treatment under the laws of the United States or jurisdictions outside of the United States (e.g., incentive stock options under Section 422 of the Code or French-qualified stock options) or (2) avoid adverse tax treatment (e.g., under Sections 280G, 409A or 457A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment and any liability to any Participant for failure to maintain favorable or avoid unfavorable tax result. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan. Nothing in this Plan or in an Award Agreement shall provide a basis for any person to take any action against the Company or any Subsidiary based on matters covered by Section 409A of the Code, including the tax treatment of any Awards, and neither the Company nor any Subsidiary will have any liability under any circumstances to Participant or any other party if the Award that is intended to be exempt from, or compliant with, Section 409A of the Code, is not so exempt or compliant or for any action taken by the Administrator with respect thereto.

23. UNDERWATER OPTION EXCHANGES. The Administrator may not permit the repricing, including by way of exchange, of any Award, without receiving prior stockholder approval.

24. DEFINITIONS. As used herein, the following definitions shall apply:

24.1 “Administrator” means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

24.2 “Applicable Laws” means the legal requirements relating to the administration of stock option plans under federal and state corporate and securities laws, the Code and any stock exchange on which the Common Stock is listed or quoted.

24.3 “Award” means an award hereunder of an Option, Stock Appreciation Right, Restricted Stock or Restricted Stock Unit.

24.4 “Award Agreement” means any written agreement, contract, or other instrument or document evidencing the terms and conditions of an Award, including through electronic medium.

24.5 “Board” means the Board of Directors of the Company.

24.6 “Code” means the Internal Revenue Code of 1986, as amended.

24.7 “Committee” means a committee appointed by the Board or its Compensation Committee in accordance with Section 4 of the Plan.

24.8 “Common Stock” means the Common Stock of the Company.

24.9 “Company” means Cypress Semiconductor Corporation, a Delaware corporation.

24.10 “Consultant” means any person other than an Employee, including an advisor or consultant, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services; provided, however, that the term “Consultant” shall not include Outside Directors, unless such Outside Directors are compensated for services to the Company other than through payment of director’s fees.

24.11 “Continuous Status as a Director” means that the Director relationship is not interrupted or terminated.

24.12 “Continuous Status as an Employee, Consultant or Director” means that the employment, consulting or Director relationship with the Company or any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee, Consultant or Director shall not be considered interrupted in the case of: (i) any leave of absence approved by the Company, including sick leave, military leave, or any other personal leave; provided, however, that for purposes of Incentive Stock Options, no such leave may exceed ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; provided, further, that on the ninety-first (91st) day of any such leave (where reemployment is not guaranteed by contract or statute) the Participant’s Incentive Stock Option shall cease to be treated as an Incentive

Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor.

24.13 “Director” means a member of the Board.

24.14 “Disability” means total and permanent disability as defined in Section 22(e)(3) of the Code.

24.15 “Employee” means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director’s fee by the Company shall be sufficient to constitute “employment” by the Company.

24.16 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

24.17 “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

24.17.1 If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, the Fair Market Value of a Share of Common Stock shall be the closing sale price for such stock (or the mean of the closing bid and asked prices, if no sales were reported), as quoted on such exchange (or the exchange with the greatest volume of trading in Common Stock) or system on the date of such determination (or, in the event such date is not a trading day, the trading day immediately prior to the date of such determination), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

24.17.2 If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean of the closing bid and asked prices for such stock on the date of such determination (or, in the event such date is not a trading day, the trading day immediately prior to the date of such determination), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

24.17.3 In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

24.18 “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

24.19 “Nonstatutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option.

24.20 “Notice of Grant” means a written notice evidencing certain terms and conditions of an individual Option grant. The Notice of Grant is part of the Option Agreement.

24.21 “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

24.22 “Option” means a stock option granted pursuant to the Plan or the Terminated Plans.

24.23 “Option Agreement” means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

24.24 “Optioned Stock” means the Common Stock subject to an Option or SAR.

24.25 “Outside Director” means a Director who is not an Employee or Consultant.

24.26 “Parent” means a “parent corporation”, whether now or hereafter existing, as defined in Section 424(e) of the Code.

24.27 “Participant” means an Employee, Consultant or Outside Director who holds an outstanding award.

24.28 “Performance Goals” means the goal(s) (or combined goal(s)) determined by the Administrator (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Administrator, the performance measures for any performance period will be any one or more of the following objective performance criteria, applied to either the Company as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and measured either on an absolute basis or relative to a pre-established target, to a previous period’s results or to a designated comparison group, and, with respect to financial metrics, which may be determined in accordance with United States Generally Accepted Accounting Principles (“GAAP”), in accordance with accounting principles established by the International Accounting Standards Board (“IASB Principles”) or which may be adjusted when established to exclude any items otherwise includable under GAAP or under IASB Principles or to include any items otherwise excludable under GAAP or under IASB Principles: (i) cash flow (including operating cash flow or free cash flow), (ii) revenue (on an absolute basis or adjusted for currency effects), (iii) gross margin, (iv) operating expenses or operating expenses as a percentage of revenue, (v) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), (vi) earnings per share, (vii) stock price, (viii) return on equity, (ix) total stockholder return, (x) growth in stockholder value relative to the moving average of the S&P 500 Index, the Philadelphia Semiconductor Sector Index or another index, (xi) return on capital, (xii) return on assets or net assets, (xiii) return on investment, (xiv) economic value added, (xv) operating profit or net operating profit, (xvi) operating margin, (xvii) market share, (xviii) contract awards or backlog, (xix) overhead or other expense reduction, (xx) credit rating, (xxi) objective customer indicators, (xxii) new product invention or innovation, (xxiii) attainment of research and development milestones, (xxiv) improvements in productivity, (xxv) attainment of objective operating goals, and (xxvi) objective employee metrics.

24.29 “Plan” means this 2013 Stock Plan, as amended from time to time.

24.30 “Restricted Stock/Restricted Stock Unit/RSU” means the grant of shares or a right to receive shares of Common Stock granted pursuant to Section 13 of the Plan.

24.31 “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

24.32 “Stock Appreciation Right” or “SAR” means a Stock Appreciation Right granted pursuant to Section 12 of the Plan.

24.33 “Share” means a share of the Common Stock, as adjusted in accordance with Section 16 of the Plan.

24.34 “Subsidiary” means a “subsidiary corporation”, whether now or hereafter existing, as defined in Section 424(f) of the Code.

CYPRESS SEMICONDUCTOR CORPORATION
2013 STOCK PLAN AS AMENDED
NOTICE OF GRANT OF RESTRICTED STOCK UNITS

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice of Grant.

EMPLOYEE NAME:

EMPLOYEE ID:

You have been granted [●] Restricted Stock Units. Each such Unit is equivalent to one Share of Common Stock of the Company for purposes of determining the number of Shares subject to this award. None of the Restricted Stock Units will be issued (nor will you have the rights of a stockholder with respect to the underlying shares) until the vesting conditions described below are satisfied. Additional terms of this grant are as follows:

GRANT NUMBER:

GRANT DATE:

VEST BASE DATE:

VESTING SCHEDULE:

Share Granted

Vest Date

[●] [●]

You acknowledge and agree that this agreement and the vesting schedule set forth herein does not constitute an express or implied promise of continued engagement as a Service Provider for the vesting period, for any period, or at all, and shall not interfere with your right or the Company's right to terminate your relationship as a Service Provider at any time, with or without cause.

You will not receive a certificate representing the Shares upon vesting, unless and until you have made satisfactory arrangements (as determined by the Administrator) with respect to the payment of income, employment and other taxes which the Company determines must be

withheld with respect to such Shares upon their vesting. The Administrator, in its sole discretion and pursuant to such procedures as it may specify, may permit you to satisfy such tax withholding obligation, in whole or in part (without limitation) by one or more of the following: (a) paying cash, (b) electing to have the Company withhold otherwise deliverable shares of Common Stock having a Fair Market Value equal to the minimum amount statutorily required to be withheld, (c) delivering to the Company already vested and owned shares of Common Stock having a Fair Market Value equal to the amount required to be withheld, or (d) selling a sufficient number of such shares of Common Stock otherwise deliverable to you through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the minimum amount required to be withheld.

After opening each of the documents, please confirm your acceptance of the terms set forth in this Notice, the Restricted Stock Unit Agreement attached as Exhibit A hereto and the 2013 Stock Plan, as Amended, which constitute your entire agreement with respect to this Award and may not be modified adversely to your interest except by means of a writing signed by the Company and you.

You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and this Award.

EXHIBIT A
CYPRESS SEMICONDUCTOR CORPORATION
2013 STOCK PLAN AS AMENDED
RESTRICTED STOCK UNIT AGREEMENT

1. Grant. The Company hereby grants to the Participant an award of Restricted Stock Units (“RSUs”), as set forth in the Notice of Grant of Restricted Stock Units and subject to the terms and conditions in this Agreement and the Company’s 2013 Stock Plan, as Amended, (the “Plan”). Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Restricted Stock Unit Agreement (the “Agreement”).

2. Company's Obligation. Each RSU represents the right to receive a Share on the vesting date. Unless and until the RSUs vest, the Participant will have no right to receive Shares under such RSUs. Prior to actual distribution of Shares pursuant to any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Subject to paragraph 4, the RSUs awarded by this Agreement will vest in the Participant according to the

vesting schedule specified in the Notice of Grant.

4. Forfeiture upon Termination as an Employee, Consultant or Director. Notwithstanding any contrary provision of this Agreement or the Notice of Grant, if the Participant terminates service as an Employee, Consultant or Director for any or no reason prior to vesting, the unvested RSUs awarded by this Agreement will thereupon be forfeited at no cost to the Company.

5. Payment after Vesting. Any RSUs that vest in accordance with paragraph 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in Shares; provided that to the extent determined appropriate by the Company, the minimum statutorily required federal, state and local withholding taxes with respect to such RSUs will be paid by reducing the number of vested RSUs actually paid to the Participant or by such other method then authorized by the Company.

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 in respect of

any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant or Participant's broker.

8. No Effect on Employment or Status. The Participant's employment or other service relationship with the Company and its Subsidiaries is on an at-will basis only. Accordingly, the terms of the Participant's employment or other service relationship with the Company and its Subsidiaries will be determined from time to time by the Company or the Subsidiary employing or otherwise engaging the Participant (as the case may be), and the Company or the Subsidiary 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. In addition, 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. 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.

10. Grant is Not Transferable. Except to the limited extent provided in paragraph 6, 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 will determine, in its discretion, that the listing, registration or qualification of the Shares upon any securities exchange or under any state or federal 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 state or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.

13. Plan Governs. This Agreement and the Notice of Grant are subject to all 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 and this Agreement 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 Participant provides services to the Company in a country other than the United States, the RSUs shall be subject to such additional or substitute terms as shall be set forth for such country in Appendix A attached hereto.

16. Data Privacy. 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. 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.

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.

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 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.

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 of the Company. 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 of the Company 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 replaces Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, Shares will be issued to the Employee. In no event will the Award be paid to Employee 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 replaces Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or the Agreement to the contrary, upon vesting of the RSUs, Shares will be issued to the Participant. In no event will the Award be paid to Participant 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

Acceptance of Agreement. Notwithstanding the terms of the Agreement, a Participant must acknowledge and accept the Agreement by signing a copy of the Agreement document and returning the original signed document to Michal Ratzon (or other authorized individual) at Cypress Semiconductors Ltd., 6 Arie Regev St., P.O. Box 8385, Sappir Industrial Park, Netanya 42504, Israel within 30 days after the date of the electronic mail notification of this Agreement document, and hereby acknowledges and agrees to the following:

The Agreement is granted under and governed by the Plan, Section 102(b)(2) of the Income Tax Ordinance (New Version) – 1961 and the Rules promulgated in connection therewith (“Section 102”) and the Trust Agreement.

- The shares of Common Stock issued upon vesting of the RSUs will be issued to the Trustee to hold 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 described in subsection (b) (2) thereof, and agrees that Participant will not require the Trustee to release or sell the RSUs or underlying shares of Common Stock during the Restricted Holding Period, 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 No Effect on Employment or Status, 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, only Participants are Eligible Individuals.

Tax Withholding.

The following is added to the “Tax Withholding” 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, at the discretion of the Company, 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.

At the discretion of the Company, the RSUs will not vest until the Participant has entered into an election with the Company (or his/her employer) (as appropriate) in a form approved by the Company and Her Majesty’s Revenue & Customs (a “Joint Election”) under which any liability of the Company and/or the employer for employer’s National Insurance contributions arising in respect of the granting, vesting, settlement of or other dealing in the RSUs, or the acquisition of Common Stock on settlement of the RSUs, is transferred to and met by the Participant.

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 replaces the “No Effect on Employment or Status” 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 replaces Section 5 of the Agreement:

Notwithstanding any discretion in the Plan or this Agreement to the contrary, upon vesting of the RSUs, Shares will be issued to the Participant. In no event will the Award be paid to Participant in the form of cash.

Furthermore, notwithstanding any provision of the Plan or the Agreement to the contrary, the Participant will not be entitled to receive any Shares pursuant to the vesting of the RSUs unless and until the Participant has executed a Joint Election (as defined below) in connection with the RSUs.

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, 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 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, no Shares shall be issued to the Participant without any liability to the Company and/or the Employer. 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 Her Majesty's Revenue & Customs' ("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 an officer or executive director (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 an officer or executive director 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.

**CERTIFICATION
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002**

I, Hassane El-Khoury, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.
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**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 Quarterly Report on Form 10-Q of Cypress Semiconductor Corporation for the quarter ended July 2, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Cypress Semiconductor Corporation.

Dated: July 28, 2017

By:

/s/ HASSANE EL-KHOURY

HASSANE EL-KHOURY

President and Chief Executive Officer

