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 June 30, 2013

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

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

(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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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 29, 2013 was 149,264,632.

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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 manufacturing strategy, our expectation regarding dividends and stock repurchases, our expectations regarding future technology transfers and other licensing arrangements, our expectations regarding the timing of our restructuring liabilities, expected payments from IV, our expectations regarding our active litigation matters and our intent to defend ourselves in those matters; 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, our belief that liquidity provided by existing cash, cash equivalents and investments and our borrowing arrangements will provide sufficient capital to meet our requirements for at least the next twelve months, our expectations regarding our outstanding warranty liability, the impact of interest rate fluctuations on our investments, the volatility of our stock price and the impact of new accounting standards on our financial statements. We use words such as "plan," "anticipate," "believe," "expect," "future," "intend" 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. 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 our investments; the current credit conditions; our ability to expand our customer base, our ability to transform our business with a leading portfolio of programmable products; the number and nature of our competitors; the changing environment and/or cycles of the semiconductor industry; foreign currency exchange rates; our ability to efficiently manage our manufacturing facilities and achieve our cost goals emanating from our flexible manufacturing strategy; our ability to achieve our goals related to our restructuring activities; our success in our pending litigation matters, our ability to manage our investments and interest rate and exchange rate exposure; our ability to achieve liquidity in our investments, the failure or success of our Emerging Technology division and/or the materialization of one or more of the risks set forth above or 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 December 30, 2012.

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ITEM 1. FINANCIAL STATEMENTS

CYPRESS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013	December 30, 2012
	(In thousands, except per-share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,617	$ 63,203
Short-term investments	31,370	54,007
Accounts receivable, net	114,792	82,920
Inventories	98,580	127,596
Other current assets	44,508	41,082
Total current assets	359,867	368,808
Property, plant and equipment, net	262,586	274,427
Goodwill	65,696	64,194
Intangible assets, net	45,116	49,216
Other long-term assets	76,358	74,984
Total assets	$ 809,623	$ 831,629
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 58,468	$ 58,704
Accrued compensation and employee benefits	44,841	38,190
Deferred margin on sales to distributors	158,409	131,192
Dividends payable	16,258	15,847
Income taxes payable	4,001	6,526
Other current liabilities	77,701	98,289
Total current liabilities	359,678	348,748
Other tax liabilities	27,432	40,928
Long-term revolving credit facility	227,000	232,000
Other long-term liabilities	30,397	33,092
Total liabilities	644,507	654,768
Commitments and contingencies (Note 8)		
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; 291,074 and 286,903 shares issued; 147,972 and 144,224 shares outstanding at June 30, 2013 and December 30, 2012, respectively	2,911	2,868
Additional paid-in-capital	2,629,297	2,612,579
Accumulated other comprehensive loss	(426)	(444)
Accumulated deficit	(372,962)	(348,533)
Stockholders' equity before treasury stock, total	2,258,820	2,266,470
Less: shares of common stock held in treasury, at cost; 143,102 and 142,679 shares at June 30, 2013 and December 30, 2012, respectively	(2,089,997)	(2,085,570)
Total Cypress stockholders' equity	168,823	180,900
Noncontrolling interest	(3,707)	(4,039)
Total equity	165,116	176,861
Total liabilities and equity	$ 809,623	$ 831,629

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

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CYPRESS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands, except per-share amounts)			
Revenues	$193,466	$201,300	$366,194	$386,390
Costs and expenses:				
Cost of revenues	102,041	94,531	195,723	187,840
Research and development	48,804	47,946	98,134	95,914
Selling, general and administrative	48,073	51,955	93,515	112,448
Amortization of acquisition-related intangible assets	1,987	731	3,996	1,463
Restructuring costs	693	989	12,133	1,217
Total costs and expenses	201,598	196,152	403,501	398,882
Operating income (loss)	(8,132)	5,148	(37,307)	(12,492)
Interest and other income (expense), net	2,119	1	2,602	335
Income (loss) before income taxes and noncontrolling interest	(6,013)	5,149	(34,705)	(12,157)
Income tax provision (benefit)	(9,343)	517	(9,197)	2,982
Income (loss), net of taxes	3,330	4,632	(25,508)	(15,139)
Adjust for net loss attributable to noncontrolling interest	436	345	1,079	655
Net income (loss) attributable to Cypress	$ 3,766	$ 4,977	$ (24,429)	$ (14,484)
Net income (loss) per share attributable to Cypress:				
Basic	$ 0.03	$ 0.03	$ (0.17)	$ (0.09)
Diluted	$ 0.02	$ 0.03	$ (0.17)	$ (0.09)
Cash dividend declared per share	$ 0.11	$ 0.11	$ 0.22	$ 0.22
Shares used in net income (loss) per share calculation:				
Basic	147,287	151,765	146,487	152,894
Diluted	156,262	164,605	146,487	152,894

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

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CYPRESS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Net income (loss)	$ 3,330	$ 4,632	$(25,508)	$(15,139)
Available for sale investments				
Change in net unrealized gains, net of tax benefit for the three and six months ended June 30, 2013 and July 1, 2012, respectively	(2,309)	2,326	1,080	2,520
Net gains reclassified into earnings, net of tax effects for the three and six months ended June 30, 2013 and July 1, 2012, respectively	1,079	—	(1,062)	7
Net change in cumulative translation adjustment and other, net of tax (expense) for the three and six months ended June 30, 2013 and July 1, 2012, respectively	—	—	—	—
Other comprehensive income	(1,230)	2,326	18	2,528
Comprehensive income (loss)	2,100	6,958	(25,490)	(12,611)
Adjust for net loss attributable to noncontrolling interest	436	345	1,079	655
Comprehensive income (loss) attributable to Cypress	$ 2,536	$ 7,303	$(24,411)	$(11,956)

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

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CYPRESS SEMICONDUCTOR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2013	July 1, 2012
	(In thousands)	
Cash flows from operating activities:		
Net loss	$(25,508)	$ (15,139)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	32,832	50,967
Depreciation and amortization	24,924	24,890
Deferred income taxes and other tax liabilities	(13,557)	477
Restructuring costs	12,133	1,216
Loss on sale or retirement of property and equipment, net	400	818
Other	(862)	1,612
Changes in operating assets and liabilities:		
Accounts receivable	(31,872)	(22,666)
Inventories	29,785	647
Other current and long-term assets	(1,696)	(3,974)
Accounts payable and other liabilities	(15,176)	22,780
Deferred margin on sales to distributors	27,217	(1,998)
Net cash provided by operating activities	38,620	59,630
Cash flows from investing activities:		
Proceeds from sales or maturities of available-for-sale investments	47,011	60,448
Purchases of available-for-sale investments	(23,420)	(81,798)
Net employee contributions to (distribution of) deferred compensation plan	(1,821)	277
Acquisition of property, plant and equipment	(17,069)	(19,716)
Cash paid for equity investments	(4,361)	(7,203)
Proceeds from sale of equity investments	2,158	—
Other	152	8
Net cash provided by (used in) investing activities	2,650	(47,984)
Cash flows from financing activities:		
Repurchase of common shares	—	(97,864)
Line of credit proceeds (repayments), net	(5,000)	203,000
Withholding of common shares for tax obligations on vested restricted shares	(4,428)	(19,984)
Payment of dividends	(31,983)	(30,510)
Proceeds from issuance of common shares under employee stock plan	15,561	9,982
Payments of equipment leases and loans, net	(6,163)	(57,725)
Payment of mortgage note	(3,254)	—
Cash received for investment in subsidiary	1,411	—
Net cash provided by (used in) financing activities	(33,856)	6,899
Net increase in cash and cash equivalents	7,414	18,545
Cash and cash equivalents, beginning of period	63,203	99,717
Cash and cash equivalents, end of period	$ 70,617	$118,262

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Years

Cypress Semiconductor Corporation ("Cypress" or the "Company") reports on a fiscal-year basis. We end our 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 2013 and fiscal 2012 had 52 weeks. The second quarter of fiscal 2013 ended on June 30, 2013 and the second quarter of fiscal 2012 ended on July 1, 2012.

Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal, recurring items, which are necessary to state fairly the financial information included therein. The financial data should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012.

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

Certain prior period balances have been reclassified to conform to the current year presentation.

The condensed consolidated results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results to be expected for the full fiscal year.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to the guidance on Comprehensive Income, to improve the reporting of reclassifications out of accumulated other income. This guidance requires entities to provide information about the amounts reclassified out of accumulated other income by component. The authoritative guidance also requires an entity to present, either on the face of the statement where net income (loss) is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income only if the amount reclassified is required under U.S. GAAP to be reclassified to net income (loss) in its entirety in the same reporting period. For amounts not required to be reclassified under U.S. GAAP, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. We adopted this guidance in the first quarter of fiscal 2013 and our adoption did not have a significant impact on our condensed consolidated financial statements. See Note 10 for more information.

In July 2013, the FASB issued an ASU on Income Taxes, to improve the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance is expected to reduce diversity in practice by and is expected to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exists. This guidance is effective for our interim and annual periods beginning after December 15, 2013. We do not believe that the implementation of this authoritative guidance will have any material impact on our financial position or results of operations.

CYPRESS SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

NOTE 2. GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. The carrying amount of goodwill at June 30, 2013 was $65.7 million, of which $33.9 million was in the Memory Products Division ("MPD") and $31.8 million in the Programmable System Division ("PSD"). The carrying amount of goodwill at December 30, 2012 was $64.2 million, of which $32.4 million was in MPD and $31.8 million was in PSD. In the second quarter of fiscal of 2013, we increased the amount of goodwill attributable to the MPD reportable segment by $1.5 million as we had not recorded certain shares that were not tendered at the tender offering period in the fourth quarter of fiscal 2012. As management and the Audit Committee believe this adjustment is not material to any prior years' financial statements, and the impact of correcting this error in the current quarter is not material to the current quarter's consolidated financial statements and is not expected to be material to the full year fiscal 2013 consolidated financial statements, we recorded the adjustment in the second quarter of fiscal 2013.

The following table presents details of our intangible assets:

	As of June 30, 2013			As of December 30, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Acquisition-related intangible assets	$151,773	$(107,836)	$43,937	$151,773	$(103,840)	$47,933
Non-acquisition related intangible assets	10,423	(9,244)	1,179	10,048	(8,765)	1,283
Total intangible assets	$162,196	$(117,080)	$45,116	$161,821	$(112,605)	$49,216

As of June 30, 2013, the estimated future amortization expense of these intangible assets was as follows:

	(In thousands)
2013 (remaining six months)	$ 4,974
2014	7,413
2015	5,772
2016	5,772
2017	5,772
2018 and future	15,413
Total future amortization expense	$ 45,116

NOTE 3. RESTRUCTURING

For the three and six months ended June 30, 2013, we recorded restructuring charges of $0.7 million and $12.1 million, respectively. For the three and six months ended July 1, 2012, we recorded restructuring charges of $1.0 million and $1.2 million, respectively. The determination of when we accrue for severance and benefits costs, and which accounting standard applies, depends on whether the termination benefits are provided under a one-time benefit arrangement or under an on-going benefit arrangement.

Fiscal 2013 Restructuring Plan

During the first quarter of fiscal 2013, we implemented a restructuring plan to reduce operating expenses as part of our 2013 corporate priorities. The plan includes the termination of employees and the disposal of certain equipment located in our Bloomington, Minnesota facility. To date, we have recorded total restructuring charges of $11.7 million related to the Fiscal 2013 Restructuring Plan. Of the total restructuring charge, $6.7 million was related to property, plant and equipment, $4.5 million was related to personnel costs and $0.5 million was related to the amounts payable upon the termination of agreements with certain distributor representatives.

The restructuring activities related to personnel costs, which are primarily in the U.S., are summarized as follows:

	(In thousands)
Balance as of December 30, 2012	$ —
Provision	3,807
Cash payments	(495)
Balance as of March 31, 2013	$ 3,312
Provision	729
Cash payments	(1,318)
Balance as of June 30, 2013	$ 2,723

The restructuring liability as of June 30, 2013 under the Fiscal 2013 Restructuring Plan is primarily related to personnel costs and is expected to be paid out within the next twelve months.

Fiscal 2011/12 Restructuring Plan

In fiscal 2011, we initiated a restructuring plan which allowed us to continue to allocate and align our resources to the business units that we expect will drive future development and revenue growth ("Fiscal 2011 Restructuring Plan"). To date, we have recorded total restructuring charges of $9.1 million under the Fiscal 2011 Restructuring Plan, which was all related to personnel costs. The restructuring activities related to personnel costs, which are primarily in the U.S., are summarized as follows:

	(In thousands)
Balance as of December 30, 2012	$ 4,506
Provision	350
Cash payments	(946)
Non-cash charges	(250)
Balance as of March 31, 2013	3,660
Cash payments	(870)
Non-cash charges	173
Balance as of June 30, 2013	$ 2,963

The restructuring liability as of June 30, 2013 under the Fiscal 2011 Restructuring Plan related primarily to personnel costs and is expected to be paid out within the next twelve months.

Assets Held-For-Sale

Our Texas facility ceased operations in the fourth quarter of fiscal 2008. As our management has committed to a plan to sell the assets associated with the facility, we have classified the assets as held-for-sale. In fiscal 2012, due to the unfavorable economic and market conditions, management reassessed the fair value of the assets and recorded a write-down of $2.3 million to the estimated fair value of $4.6 million.

During the first quarter of 2013, we incurred a $6.0 million charge to write down certain equipment to the current fair value of $2.3 million. Management considered a third-party valuation in determining the fair value of this held-for-sale asset (see Note 5).

The net book value of these assets are classified as held-for-sale and included in "Other current assets" in the Condensed Consolidated Balance Sheet (see Note 4).

NOTE 4. BALANCE SHEET COMPONENTS

Accounts Receivable, Net

	As of	
	June 30, 2013	December 30, 2012
	(In thousands)	
Accounts receivable, gross	$118,858	$ 87,050
Allowance for doubtful accounts receivable and sales returns	(4,066)	(4,130)
Total accounts receivable, net	$114,792	$ 82,920

CYPRESS SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Inventories

	As of June 30, 2013	As of December 30, 2012
	(In thousands)	
Raw materials	$ 3,834	$ 4,307
Work-in-process	59,964	62,603
Finished goods	34,782	60,686
Total inventories	$98,580	$ 127,596

Other Current Assets

	As of June 30, 2013	As of December 30, 2012
	(In thousands)	
Prepaid expenses	$26,284	$ 21,623
Assets held-for-sale	6,880	4,630
Prepayment to Grace-current portion	3,662	7,321
Other current assets	7,682	7,508
Total other current assets	$44,508	$ 41,082

Prepayment to Grace

In fiscal 2011, we made certain pre-payments to Grace Semiconductor Manufacturing Corporations ("Grace"), a strategic foundry partner, to secure a certain supply of wafers. The prepayments were expected to be applied to purchases of wafers from Grace. As of June 30, 2013 and December 30, 2012, the unapplied prepayment balances were approximately $3.7 million and $7.3 million, respectively, and were recorded as part of "Other current assets" in the Consolidated Balance Sheet. In the first quarter of fiscal 2013 of the unused prepayment, Grace paid us $3.6 million, in cash. We expect to receive the remaining $3.7 million by the end of fiscal 2013.

Other Long-term Assets

	As of June 30, 2013	As of December 30, 2012
	(In thousands)	
Employee deferred compensation plan	$38,751	$ 37,142
Investments:		
Debt securities	4,506	5,504
Equity securities	10,361	7,054
Other assets	22,740	25,284
Total other long-term assets	$76,358	$ 74,984

Other Current Liabilities

	As of June 30, 2013	As of December 30, 2012
	(In thousands)	
Employee deferred compensation plan	$37,866	$ 36,244
Restructuring accrual (see Note 3)	6,771	5,113
Capital lease-current portion (see Note 8)	2,257	4,849
Equipment loan-current portion (see Note 9)	2,725	2,725
Advances received from sale of ARS (see Note 5)	3,140	3,140
Customer advances	1	10,191
Other current liabilities	24,941	36,027
Total other current liabilities	$77,701	$ 98,289

CYPRESS SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Other Long-term Liabilities

	As of	
	June 30, 2013	December 30, 2012
	(In thousands)	
Equipment loan–long-term portion (see Note 9)	7,398	8,756
Capital lease–long-term portion (see Note 8)	11,489	12,779
Other long-term liabilities	11,510	11,557
Total other long-term liabilities	$30,397	$ 33,092

NOTE 5. FAIR VALUE MEASUREMENTS

Assets/Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis:

	As of June 30, 2013				As of December 30, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Financial Assets								
Cash equivalents:								
Money market funds	$ 1,646	$ —	$ —	$ 1,646	$24,187	$ —	$ —	$ 24,187
Commercial paper	—	12,500	—	12,500	—	—	—	—
Total cash equivalents	1,646	12,500	—	14,146	24,187	—	—	24,187
Short-term investments:								
U.S. treasuries	—	—	—	—	10,032	—	—	10,032
Corporate notes and bonds	—	20,904	—	20,904	—	28,435	—	28,435
Federal agency	—	2,002	—	2,002	—	3,005	—	3,005
Commercial paper	—	5,995	—	5,995	—	11,694	—	11,694
Certificates of deposit	—	2,469	—	2,469	—	840	—	840
Assets held-for-sale	—	6,880	—	6,880	—	4,630	—	4,630
Total short-term investments	—	38,250	—	38,250	10,032	48,604	—	58,636
Long-term investments:								
Auction rate securities	—	—	4,506	4,506	—	—	5,504	5,504
Marketable equity securities	—	—	—	—	1,054	—	—	1,054
Total long-term investments	—	—	4,506	4,506	1,054	—	5,504	6,558
Employee deferred compensation plan assets:								
Cash equivalents	3,433	—	—	3,433	3,588	—	—	3,588
Mutual funds	21,640	—	—	21,640	21,207	—	—	21,207
Equity securities	6,054	—	—	6,054	5,322	—	—	5,322
Fixed income	3,928	—	—	3,928	3,732	—	—	3,732
Money market funds	3,696	—	—	3,696	3,293	—	—	3,293
Total employee deferred compensation plan assets	38,751	—	—	38,751	37,142	—	—	37,142
Total financial assets	$40,397	$50,750	$4,506	$95,653	$72,415	$48,604	$5,504	$126,523
Financial Liabilities								
Employee deferred compensation plan liability	$ —	$37,866	$ —	$37,866	$ —	$36,244	$ —	$ 36,244

CYPRESS SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Valuation Techniques:

There have been no changes to our valuation techniques used to measure our assets and liabilities. For a description of our valuation techniques, refer to our Form 10-K for the year ended December 30, 2012.

Sale of Auction Rate Securities

In December 2011, we entered into a settlement and securities purchase agreement (the “Securities Agreement”) with a certain financial institution which expires on November 30, 2013 As of June 30, 2013, the remaining fair value of the ARS under the Securities Agreement was approximately $3.8 million.

The fair value of our total investments in ARS was approximately $4.5 million and $5.5 million as of June 30, 2013 and December 30, 2012, respectively.

In the second quarter of fiscal 2013 and during the fourth quarter of fiscal 2012, we performed an analysis to assess the fair value of the ARS using a valuation model based on discounted cash flows. The assumptions used were the following:

	Q2-2013	Q4-2012
Years to liquidity	7	7
Discount rates *	1.08%-4.44%	0.90%-3.42%
Continued receipt of contractual interest which provides a premium spread for failed auctions	Yes	Yes

* *Discount rates incorporate a spread for both credit and liquidity risk.*

Based on these assumptions, we estimated that the ARS were valued at approximately 92.0% and 93.3% of their stated par value as of June 30, 2013 and December 30, 2012, respectively. These amounts were recorded as an unrealized loss in accumulated other comprehensive loss as of June 30, 2013 and December 30, 2012, respectively.

Level 3 Investments Measured Fair Value on a Recurring Basis

The following table presents a summary of changes in our Level 3 investments measured at fair value on a recurring basis:

	Auction Rate Securities (In thousands)
Balance as of December 30, 2012	$ 5,504
Unrealized gain recorded in accumulated other comprehensive loss	2
Realized loss recorded in interest and other income, net	(16)
Amounts sold	(984)
Balance as of June 30, 2013	$ 4,506

Level 3 Assets Measured at Fair Value on a Nonrecurring Basis

As of June 30, 2013, the carrying value of our line of credit was $227.0 million. The fair value of our line of credit approximate its fair value since it bears interest rates that are similar to existing market rates that would be offered to the Company and represents a Level 2 measurement.

Investments in Equity Securities

Our investments in equity securities included long-term investments in non-marketable equity securities (investments in privately-held companies) of approximately $10.4 million and no investments in marketable equity securities (investments in publicly

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traded companies) as of June 30, 2013 ($6.0 million investments in non-marketable equity securities and $1.1 million investments in marketable equity securities as of December 30, 2012). Our privately-held equity investments are accounted for under the cost method and are periodically reviewed for other-than-temporary declines in fair value.

In February 2012, we entered into a Stock Purchase Agreement (the "Agreement") with a company that designs, develops and manufactures products in the area of advanced battery storage for mobile consumer devices. Of our total future planned commitment of approximately $79 million, we plan to purchase additional preferred stock of approximately $11 million in fiscal 2013, $61 million in fiscal 2014 and $7 million in fiscal 2015 subject to the attainment of certain milestones and the timing of additional capital requests which could vary substantially. As of June 30, 2013, we own less than 10% of the company. If our future commitments are fully funded, we could become their majority shareholder and consolidate the financial results of this company. On April 9, 2013 we made an additional investment in the company of $3.5 million. As of June 30, 2013, our total investment of $9.5 million was recorded as part of our investments in non-marketable equity securities.

In the second fiscal quarter of 2013, we sold our investment in a certain marketable equity security for $2.2 million, which resulted in a realized gain of $1.1 million.

There were no significant transfers between Level 1, Level 2 and Level 3 fair value hierarchies during the six months ended June 30, 2013.

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NOTE 6. INVESTMENTS AND EMPLOYEE DEFERRED COMPENSATION PLAN

Available-For-Sale Securities

The following tables summarize our available-for-sale and other investments:

	As of June 30, 2013				December 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
Reported as cash equivalents:								
Money market funds	$ 1,646	$ —	$ —	$ 1,646	$24,187	$ —	$ —	$24,187
Commercial paper	12,500	—	—	12,500	—	—	—	—
Total cash equivalents	14,146	—	—	14,146	24,187	—	—	24,187
Reported as short-term investments:								
Corporate note and bonds	20,919	1	(16)	20,904	28,430	13	(8)	28,435
Federal agency	2,002	—	—	2,002	3,005	—	—	3,005
U.S. Treasuries	—	—	—	—	10,023	9	—	10,032
Commercial paper	5,995	—	—	5,995	11,692	2	—	11,694
Certificates of deposit	2,469	—	—	2,469	840	—	—	840
Assets held-for-sale	12,866	—	(5,986)	6,880	6,913	—	(2,283)	4,630
Total short-term investments	44,251	1	(6,002)	38,250	60,903	24	(2,291)	58,636
Reported as long-term investments:								
Auction rate securities (1)	4,900	—	(394)	4,506	5,900	—	(396)	5,504
Marketable equity securities	—	—	—	—	1,030	70	(46)	1,054
Total long-term investments	4,900	—	(394)	4,506	6,930	70	(442)	6,558
Total available-for-sale securities and other investments	$63,297	$ 1	$ (6,396)	$56,902	$92,020	$ 94	$ (2,733)	$89,381

(1) The $0.4 million of gross unrealized losses were related to ARS and that had been in a continuous loss position for 12 months or more, as of June 30, 2013 and December 30, 2012.

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As of June 30, 2013, the contractual maturities of our available-for-sale investments and certificates of deposit were as follows (the table below does not include our investments in marketable equity securities and our assets held-for-sale):

	Cost	Fair Value
	(in thousands)	
Maturing within one year	$40,498	$40,486
Maturing in one to three years	5,033	5,030
Maturing in more than three years	4,900	4,506
Total	$50,431	$50,022

Realized gains from sales of available-for-sale investments during three months ended June 30, 2013 was approximately $1.1 million (See Note 5). Realized gains from the sales of available-for-sale investments during the three months ended July 1, 2012 were not material.

Employee Deferred Compensation Plan

We have a deferred compensation plan which provides certain key employees, including our executive management, with the ability to defer the receipt of compensation in order to accumulate funds for retirement on a tax-deferred basis. We do not make contributions to the deferred compensation plan or guarantee returns on the investments. Participant deferrals and investment gains and losses remain as our liabilities and the underlying assets are subject to claims of general creditors.

Under the deferred compensation plan, the assets are recorded at fair value in each reporting period with the offset being recorded in “Interest and other income, net.” The liabilities are recorded at fair value in each reporting period with the offset being recorded as an operating expense or income. As of June 30, 2013 and December 30, 2012, the fair value of the assets was $38.8 million and $37.1 million, respectively, and the fair value of the liabilities was $37.9 million and $36.2 million, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Changes in fair value of assets recorded in:				
Interest and other income, net	$ 296	$ (842)	$ 2,720	$ 1,652
Changes in fair value of liabilities recorded in:				
Cost of revenues	(31)	40	(453)	(222)
Research and development expenses	(99)	89	(914)	(334)
Selling, general and administrative expenses	(145)	183	(2,006)	(1,071)
Total income (expense)	$ 21	$ (530)	$ (653)	$ 25

NOTE 7. STOCK-BASED COMPENSATION

Our 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	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Cost of revenues	$ 3,279	$ 7,759	$ 6,897	$11,798
Research and development	6,913	5,480	11,880	12,393
Selling, general and administrative	10,203	8,991	14,055	26,776
Total stock-based compensation	$20,395	$22,230	$32,832	$50,967

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

Consolidated cash proceeds from the issuance of shares under the employee stock plans were approximately $4.0 million and $15.6 million for the three and six months ended June 30, 2013, respectively, and $3.8 million and $10.0 million for the three and six months ended July 1, 2012, respectively. We did not recognize a tax benefit from stock option exercises for the three and six months ended June 30, 2013 or July 1, 2012.

As of June 30, 2013 and December 30, 2012, stock-based compensation capitalized in inventories totaled $3.6 million and $2.8 million, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Stock options	$ 1,971	$ 2,272	$ 4,415	$ 3,923
Restricted stock units and restricted stock awards	16,394	17,029	21,785	41,897
Employee Stock Purchase Plan ("ESPP")	2,030	2,929	6,632	5,147
Total stock-based compensation expense	$20,395	$22,230	$32,832	$50,967

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

	As of June 30, 2013	Weighted-Average Amortization Period
	(In thousands)	(In years)
Stock options	$ 15,755	2.24
Restricted stock units and restricted stock awards	65,443	1.13
ESPP	3,308	0.53
Total unrecognized stock-based compensation balance	$ 84,506	1.31

Valuation Assumptions

We estimated the fair value of the stock options and ESPP using the Black-Scholes valuation model with the following assumptions:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
Expected life	0.5-7.27 years	2.2-6.2 years	0.5-7.27 years	1.2-6.2 years
Volatility	38.37%-46.3%	45.8%-49.6%	38.35%-46.3%	42.9%-49.6%
Risk-free interest rate	0.08%-1.13%	0.3%-1.0%	0.08%-1.13%	0.2%-1.5%
Dividend yield	4.15%	3.3%	4.15%-4.18%	2.8%-3.3%

The fair value of the restricted stock units and the restricted stock awards was based on our stock price on the date of grant.

Equity Incentive Program

As of June 30, 2013, approximately 7.4 million stock options or 3.9 million restricted stock units and restricted stock awards were available for grant under the Amended and Restated 1994 Stock Plan and the 2012 Incentive Award Plan.

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Stock Options:

The following table summarizes our stock option activities:

	Shares	Weighted-Average Exercise Price Per Share
	(In thousands, except per-share amounts)	
Options outstanding as of December 30, 2012	22,760	$ 7.25
Granted	284	$ 10.26
Exercised	(994)	$ 4.64
Forfeited or expired	(720)	$ 11.11
Options outstanding as of March 31, 2013	21,330	$ 7.31
Granted	3,272	$ 11.53
Exercised	(765)	$ 5.23
Forfeited or expired	(427)	$ 12.24
Options outstanding as of June 30, 2013	23,410	$ 7.88
Options exercisable as of June 30, 2013	15,051	$ 5.85

The weighted-average grant-date fair value of the options granted during the three and six months ended June 30, 2013 was $2.67 and $2.65, respectively. The weighted-average grant-date fair value of the options granted during the three and six months ended July 1, 2012 was $3.86 and $4.02, respectively.

The aggregate intrinsic value of the options outstanding and options exercisable as of June 30, 2013 was approximately $87.2 million and $82.1 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value which would have been received by the option holders had all option holders exercised their options as of June 30, 2013 and do not include substantial tax payments.

The aggregate pre-tax intrinsic value of option exercises, which represents the difference between the exercise price and the value of Cypress common stock at the time of exercise, was $4.3 million and $10.3 million during three and six months ended June 30, 2013, respectively, and $8.9 million and $23.1 million during three and six months ended July 1, 2012, respectively

The total number of exercisable in-the-money options was approximately 13.4 million shares as of June 30, 2013.

As of June 30, 2013, stock options vested and expected to vest totaled approximately 22.2 million shares, with a weighted-average remaining contractual life of 4.3 years and a weighted-average exercise price of $7.68 per share. The aggregate intrinsic value was approximately $86.6 million.

Restricted Stock Units and Restricted Stock Awards:

The following table summarizes our restricted stock unit and restricted stock award activities:

	Shares	Weighted-Average Grant Date Fair Value Per Share
	(In thousands, except per-share amounts)	
Balance as of December 30, 2012	7,887	$ 14.52
Granted	5,456	$ 11.08
Released	(1,366)	$ 10.45
Forfeited	(3,019)	$ 15.12
Balance as of March 31, 2013	8,958	$ 12.31
Granted	1,001	$ 11.41
Released	(384)	$ 10.71
Forfeited	(242)	$ 14.78
Balance as of June 30, 2013	9,333	$ 12.25

The 9.3 million outstanding restricted stock units and awards as of June 30, 2013 included approximately 4.5 million of performance-based restricted stock units ("PARS"). For more information regarding the performance milestones, refer to our Form 10-Q for the quarter ended March 31, 2013.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

We lease certain facilities and equipment under non-cancelable operating lease agreements that expire at various dates through fiscal 2018. 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 June 30, 2013, future minimum lease payments under non-cancelable operating leases were as follows:

Fiscal Year	(In thousands)
2013 (remaining six months)	$ 3,589
2014	6,713
2015	5,732
2016	3,840
2017	3,208
2018 and thereafter	2,363
Total	$ 25,445

Capital Lease

In 2011, we entered into a capital lease agreement which allows us to borrow up to $35.0 million to finance the acquisition of certain manufacturing equipment. Assets purchased under the capital lease are included in "Property, plant and equipment, net" as manufacturing equipment and the amortization is included in depreciation. As of June 30, 2013, the gross value and net book value of manufacturing equipment purchased under a capital lease was approximately $20.5 million and $17.0 million, respectively. As of June 30, 2013, the total minimum lease payments under our capital leases amounted to approximately $13.7 million.

Future minimum payments, by year and in the aggregate, under the capitalized lease consist of the following:

Fiscal Year	(In thousands)
2013 (remaining six months)	$ 1,473
2014	2,936
2015	2,936
2016	6,581
2017	599
Total minimum lease payments	14,525
Less: amount representing interest	779
Total	$ 13,746

Product Warranties

We generally warrant our 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. We estimate our warranty costs based on historical warranty claim experience. Warranty returns are recorded as an allowance for sales returns. The allowance for sales returns is reviewed quarterly to verify that it properly reflects the remaining obligations based on the anticipated returns over the balance of the obligation period.

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The following table presents our warranty reserve activities:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Beginning balance	$ 3,360	$ 3,056	$3,360	$3,085
Settlements made	(223)	(41)	(374)	(506)
Provisions	223	76	374	512
Ending balance	$ 3,360	$ 3,091	$3,360	$3,091

Equity Investment Commitments

As disclosed in Note 5, we have committed to purchase additional preferred stock from a company that works in the area of advanced battery storage. Of our total commitment of $79 million, we plan to purchase additional preferred stock of approximately $11 million in fiscal 2013. We plan to potentially invest $61 million in fiscal 2014 and $7 million in fiscal 2015 subject to the attainment of certain milestones and the timing of additional capital requests which could vary substantially. On April 9, 2013 we made an additional investment in the company of $3.5 million. As of June 30, 2013, our total investment of $9.5 million was recorded as part of our investments in non-marketable equity securities.

Litigation and Asserted Claims

On June 7, 2013, the ITC issued its final determination in its pending investigation of GSI Technology, Inc., finding no violation of the Tariff Act by GSI with respect to four of our U.S. patents, and concluding that the asserted claims of the ‘805 patent were invalid. We believe strongly in the merits of our patent infringement claims, and intend to take the steps necessary to protect our intellectual property. Now that the ITC has concluded its investigation, we expect our five-patent infringement case against GSI's static random access memory (“SRAM”) technology in the United States District Court of Minnesota to be unstayed in the near future. In addition to our claims in Minnesota, we have filed a five patent infringement case in the Northern District of California. We are seeking damages as well as injunctive relief in both the Northern California and Minnesota actions.

With respect to the civil antitrust case filed by GSI in the United States District Court for the Northern California, we remain engaged in the discovery stage of this case. Aside from injunctive relief, GSI has made no specific monetary demand in the antitrust matter. Accordingly, the possible range of monetary loss that might be demanded in the future in the matter, if any, is unknown at this time. We believe we have meritorious defenses to the allegations set forth in the GSI civil antitrust complaint and we will vigorously defend ourselves in that matter.

With respect to the litigation stemming from our acquisition of Ramtron, both the Dent and the Weber shareholder litigation case remain inactive. We have motions to dismiss pending in each of those cases. We believe strongly that these cases are without merit, and in the event either plaintiff chooses to take further action, we will defend ourselves vigorously. Because the case is at a very early stage and no specific monetary demand has been made, it is not possible for us to estimate the potential loss or range of potential losses for either case.

On December 11, 2012, LongPath Capital, LLC (“LongPath”) filed an appraisal petition with the Court of Chancery in the State of Delaware in connection with our acquisition of Ramtron. Specifically, the petition seeks an appraisal of the fair value of the common stock shares held by LongPath, and an order that Ramtron pay such fair value, plus interest and attorney's fees. We believe LongPath's petition is without merit and we intend to defend this matter vigorously. Since the time of our last filing, we have paid LongPath the $3.10 purchase price for its approximate 470,000 shares of common stock. Because the case is at a very early stage and LongPath has not demanded a specific valuation, it is not possible for us to estimate the potential exposure for this matter.

We are currently a party to various other legal proceedings, claims, disputes and litigation arising in the ordinary course of business. Based on our own investigations, we believe the ultimate outcome of our current legal proceedings, individually and in the aggregate, will not have a material adverse effect on our 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, our business, financial condition, results of operations or cash flows could be materially and adversely affected.

NOTE 9. DEBT AND EQUITY TRANSACTIONS

Mortgage Note

As part of our acquisition of Ramtron, we acquired a loan facility with a lender. On June 3, 2013, we paid the remaining $3.3 million balance of the mortgage note.

Senior Secured Revolving Credit Facility

Outstanding amounts under our five-year senior secured revolving credit facility (“Credit Facility”) may be repaid prior to maturity without penalty and are mandatory for certain asset sales and casualty events. The Credit Facility contains certain covenants for similarly rated companies, including: 1) maximum senior secured leverage ratio of 2.00 to 1.00, 2) maximum total leverage ratio of

3.50 to 1.00 through June 30, 2013 and 3.00 to 1.00 thereafter, 3) minimum fixed charge coverage ratio of 1.20 to 1.00, and 4) minimum liquidity of at least $150 million. Borrowings are collaterized by substantially all assets of the Company. In the second quarter of fiscal 2013, the Company repaid $5.0 million of the outstanding borrowing. At June 30, 2013, our remaining outstanding borrowings of $227.0 million were recorded as part of long-term liabilities and are presented as "Long-term revolving credit facility" in the Condensed Consolidated Balance Sheet. As of June 30, 2013 and December 30, 2012, we were in compliance with all of the financial covenants under the Credit Facility.

Equipment Loans

In December 2011, we obtained equipment loans from a certain financial institution for an aggregate amount of approximately $14.1 million and are collateralized by certain manufacturing equipment. Of the $10.1 million outstanding balance as of June 30, 2013, approximately $2.7 million was recorded as part of "Other current liabilities" and $7.4 million was recorded as part of "Other long-term liabilities" in the Condensed Consolidated Balance Sheet. The fair value was estimated using a discounted cash flow analysis using factors, such as present value factors and risk-free interest rates based on the U.S. Treasury yield curve.

The schedule of principal payments under our equipment loans is as follows:

Fiscal Year	(In thousands)
2013 (remaining six months)	$ 1,380
2014	2,825
2015	2,915
2016	3,003
Total	$ 10,123

Stock Buyback Program:

$400 Million Program Authorized in Fiscal 2011

For the three months ended June 30, 2013, repurchases made under this program were immaterial. Since we announced our $400 million stock buyback program in September 2011 through the end of the second quarter of fiscal 2013, we used approximately $316.2 million from this program to repurchase approximately 23.5 million shares at an average share price of $13.44. As of June 30, 2013, the total remaining dollar value of the shares that may be repurchased under the program was approximately $83.8 million.

Dividends

On May 10, 2013, our Board of Directors approved a cash dividend of $0.11 per share payable to holders of record of our common stock at the close of business day on June 27, 2013. This cash dividend was paid on July 18, 2013 and totaled approximately $16.3 million which was accrued for in the second quarter of fiscal 2013 and shown as "Dividends payable" in the Condensed Consolidated Balance Sheet as of June 30, 2013.

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive loss were as follows:

	Net unrealized gains (loss) on investments	Cumulative translation adjustment and other	Accumulated other comprehensive loss (income)
Balance as of December 30, 2012 (1)	$ (450)	$ 6	$ (444)
Other comprehensive income attributable to Cypress	18	—	18
Balance as of June 30, 2013	$ (432)	$ 6	$ (426)

(1) For defined benefit pension items, please see Note 16, Employee Benefit Plan, in our Consolidated Financial Statements, in our Annual Report on Form 10-K for the year ended December 30, 2012.

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NOTE 11. FOREIGN CURRENCY DERIVATIVES

The aggregate notional and fair value of outstanding forward contracts to hedge the risks associated with foreign currency denominated assets and liabilities as of June 30, 2013 and December 30, 2012 was not material to our consolidated financial statements.

NOTE 12. INCOME TAXES

Our income tax benefit was $9.3 million for the three months ended June 30, 2013 and tax expense was $0.5 million for the three months ended July 1, 2012. Our income tax benefit was $9.2 million and tax expense was $3.0 million for the six months ended June 30, 2013 and July 1, 2012, respectively. The tax benefit for the second quarter and first half of fiscal 2013 was primarily attributable to a release of previously accrued taxes and interest due to the expired statutes of limitations in foreign jurisdictions, offset by non-U.S. taxes on income earned in foreign jurisdictions. The tax expense for the second quarter and first half of fiscal 2012 was primarily attributable to non-U.S. taxes on income earned in foreign jurisdictions, offset by a release of previously accrued taxes and interest due to the expired statutes of limitations in foreign jurisdictions.

Unrecognized Tax Benefits

As of June 30, 2013 and December 30, 2012, the amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate totaled $18.6 million and $28.2 million, respectively.

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

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

The calculation of unrecognized tax benefits involves dealing with uncertainties in the application of complex global tax regulations. Management regularly assesses our tax positions in light of legislative, bilateral tax treaty, regulatory and judicial developments in the countries in which we do business. We believe it is possible that we may recognize approximately $2.5 million to $3.5 million of our existing unrecognized tax benefits within the next twelve months as a result of the lapse of statutes of limitations and the resolution of agreements with domestic and various foreign tax authorities.

Classification of Interest and Penalties

Our policy is to classify interest and penalties, if any, as components of the income tax provision in the Condensed Consolidated Statements of Operations. As of June 30, 2013 and December 30, 2012, the amount of accrued interest and penalties totaled $6.0 million and $11.6 million, respectively.

NOTE 13. NET INCOME (LOSS) PER SHARE

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands, except per-share amounts)			
Net income (loss) attributable to Cypress	$ 3,766	$ 4,977	$ (24,429)	$ (14,484)
Weighted-average common shares	147,287	151,765	146,487	152,894
Weighted-average diluted shares	156,262	164,605	146,487	152,894
Net income (loss) per share—basic	$ 0.03	$ 0.03	$ (0.17)	$ (0.09)
Net income (loss) per share—diluted	$ 0.02	$ 0.03	$ (0.17)	$ (0.09)

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For the three and six months ended June 30, 2013, approximately 7.6 million and 7.7 million weighted common stock equivalents, respectively, were excluded in the computation of diluted net income (loss) per share because their effect would have been anti-dilutive.

For the three and six months ended July 1, 2012, approximately 7.2 million and 18.5 million weighted common stock equivalents, respectively, were excluded in the computation of diluted net income (loss) per share because their effect would have been anti-dilutive.

NOTE 14. SEGMENT, GEOGRAPHICAL AND CUSTOMER INFORMATION

Segment Information

We design, develop, manufacture and market a broad range of programmable system solutions for various markets including consumer, computation, data communications, automotive and industrial. During the fourth quarter of fiscal 2012 we acquired Ramtron which is included in our Memory Products Division. In addition, as part of our continued efforts to better allocate key management resources and to focus on our core markets, during the first quarter of fiscal 2013, we realigned our Data Communications Division to include our module solutions including Trackpad and Ovation™ Optical Navigation Sensors (“ONS”), which were previously included in our Programmable Systems Division. We evaluate our reportable business segments in accordance with the accounting guidance. We operate in the following four reportable business segments:

Business Segments	Description
MPD: Memory Products Division	A division that focuses on our four static random access memory (“SRAM”) business units, non-volatile memory’s, general-purpose programmable clocks and process technology licensing.
DCD: Data Communications Division	A division focused on USB controllers and WirelessUSB™ for handsets, PCs, industrial, consumer and tablets. Also includes Trackpad module solutions focused on the notebook and adjacent markets.
PSD: Programmable Systems Division	A division focusing primarily on our PSoC® and PSoC-based products. This business segment focuses on (1) the PSoC platform family of devices including PSoC 1, PSoC 3, PSoC 4 and PSoC 5 and all derivatives, (2) PSoC-based user interface products such as CapSense® touch-sensing and TrueTouch® touchscreen products, (3) and automotive products and certain legacy products.
ETD: Emerging Technologies Division	Our “startup” division, which includes AgigA Tech Inc. and Deca Technologies Inc., all majority-owned subsidiaries of Cypress and our foundry services business.

Revenue:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Programmable Systems Division	$ 81,320	$ 93,248	$146,825	$172,819
Memory Products Division	88,127	82,949	170,356	164,828
Data Communications Division	21,296	23,273	44,043	45,184
Emerging Technologies Division	$ 2,723	$ 1,830	$ 4,970	$ 3,559
Total revenue	$193,466	$201,300	$366,194	$386,390

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Income (Loss) before Income Taxes:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Programmable Systems Division	$ (2,159)	$ 5,048	$(17,009)	$ 3,055
Memory Products Division	30,001	33,117	56,004	64,616
Data Communications Division	(697)	(1,337)	(2,980)	(3,437)
Emerging Technologies Division	(4,891)	(5,929)	(9,483)	(12,375)
Unallocated items:				
Stock-based compensation	(20,395)	(22,230)	(32,832)	(50,967)
Patent license fee	—	—	—	(7,100)
Amortization of acquisition-related intangibles	(1,987)	(731)	(3,996)	(1,463)
Restructuring charges	(693)	(989)	(12,133)	(1,217)
Changes in value of deferred compensation plan	21	(530)	(653)	25
Impairment of assets and other	(5,213)	(1,270)	(11,623)	(3,294)
Income (loss) before income taxes	$ (6,013)	$ 5,149	$(34,705)	$(12,157)

Depreciation:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Programmable Systems Division	$ 3,701	$ 4,881	$ 7,222	$ 9,058
Memory Products Division	3,958	4,380	8,247	8,673
Data Communications Division	1,015	1,300	2,232	2,497
Emerging Technologies Division	$ 1,363	$ 1,107	$ 2,691	$ 2,122
Total depreciation	$10,037	$11,668	$20,392	$22,350

Geographical Information

The following table presents our revenues by geographical locations:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
United States	$ 17,997	$ 27,846	$ 39,155	$ 55,034
Europe	20,068	18,933	38,708	42,306
Asia:				
China	82,324	85,866	151,309	159,807
South Korea	31,635	26,702	57,456	48,133
Japan	15,432	18,430	29,963	35,079
Rest of the World	$ 26,010	$ 23,523	$ 49,603	$ 46,031
Total revenue	$193,466	$201,300	$366,194	$386,390

CYPRESS SEMICONDUCTOR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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

	As of	
	June 30, 2013	December 30, 2012
	(In thousands)	
United States	$159,915	$ 180,139
Philippines	82,203	73,091
Other	20,468	21,197
Total property, plant and equipment, net	$262,586	$ 274,427

We track our assets by physical location. Although management reviews asset information on a corporate level and allocates depreciation expense by segment, our chief operating decision maker does not review asset information on a segment basis.

Customer Information

Outstanding accounts receivable from three of our distributors, accounted for 14%, 13% and 11% of our consolidated accounts receivable as of June 30, 2013. Outstanding accounts receivable from three of our distributors, accounted for 12%, 12% and 10% of our consolidated accounts receivable as of December 30, 2012.

Revenue generated through three of our distributors accounted for 14%, 11% and 11% of our consolidated revenue for the three months ended June 30, 2013. Revenue generated through three of our distributors accounted for 13%, 11% and 10% of our consolidated revenue for the six months ended June 30, 2013. One end customer purchases our products from certain of our distributors. Shipments made by our distributors to this mobile phone end customer during the three and six months ended June 30, 2013 accounted for 15% and 14% of our consolidated revenue.

Revenue generated through three of our distributors accounted for 12%, 12% and 12% of our consolidated revenue for the three months ended July 1, 2012. Revenue generated through three of our distributors accounted for 13%, 11% and 11% of our consolidated revenue for the six months ended July 1, 2012. One end customer purchases our products from certain of our distributors. Shipments made by our distributors to this mobile phone end customer during the three and six months ended July 1, 2012 accounted for 12% and 12% of our consolidated revenue.

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 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

General

Cypress Semiconductor Corporation ("Cypress") delivers high-performance, mixed-signal, programmable solutions that provide customers with rapid time-to-market and exceptional system value. Our offerings include the flagship Programmable System-on-Chip ("PSoC®") families and derivatives such as CapSense® touch sensing and TrueTouch® solutions for touchscreens. We are the world leader in universal serial bus ("USB") controllers. We are also a leader in high-performance memories and programmable timing devices. We serve numerous markets including consumer, mobile handsets, computation, data communications, automotive, industrial and military.

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During the fourth quarter of fiscal 2012 we acquired Ramtron which is included in our Memory Products Division. In addition, as part of our continued efforts to better allocate key management resources and to focus on our core markets, during the first fiscal quarter of 2013, we realigned our Data Communications Division to include our module solutions including Trackpad and Ovation™ Optical Navigation Sensors ("ONS"), which were previously included in our Programmable Systems Division. We evaluate our reportable business segments in accordance with the accounting guidance. We operate in the following four reportable business segments:

Business Segments	Description
MPD: Memory Products Division	A division that focuses on our four static random access memory ("SRAM") business units, non-volatile memory's, general-purpose programmable clocks and process technology licensing
DCD: Data Communications Division	A division focused on USB controllers and WirelessUSB™ for handsets, PCs, industrial, consumer and tablets. Also includes Trackpad module solutions focused on the notebook and adjacent markets.
PSD: Programmable Systems Division	A division focusing primarily on our PSoC® and PSoC-based products. This business segment focuses on (1) the PSoC platform family of devices including PSoC 1, PSoC 3, PSoC 4 and PSoC 5 and all derivatives, (2) PSoC-based user interface products such as CapSense® touch-sensing and TrueTouch® touchscreen products, (3) and automotive products and certain legacy products.
ETD: Emerging Technologies Division	Our "startup" division, which includes AgigA Tech Inc. and Deca Technologies Inc., all majority-owned subsidiaries of Cypress and our foundry services business.

Manufacturing Strategy

Our core manufacturing strategy—"flexible manufacturing"—combines capacity from foundries with output from our internal manufacturing facilities. This initiative is intended to allow us to meet rapid swings in customer demand while lessening the burden of high fixed costs, a capability that is particularly important in high-volume consumer markets that we serve with our leading programmable product portfolio.

.***Results of Operations***

Revenues

The following table summarizes our consolidated revenues by segments under the new reporting structure:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Programmable Systems Division	$ 81,320	$ 93,248	$ 146,825	$172,819
Memory Products Division	88,127	82,949	170,356	164,828
Data Communications Division	21,296	23,273	44,043	45,184
Emerging Technologies Division	$ 2,723	$ 1,830	$ 4,970	$ 3,559
Total revenue	$ 193,466	$201,300	$ 366,194	$386,390

Programmable Systems Division:

Revenues from the Programmable Systems Division decreased by $11.9 million in the second quarter of fiscal 2013 and $26.0 million in the first half of fiscal 2013, or approximately 12.8% and 15.0%, respectively, compared to the same prior-year periods. The decreases were primarily attributable to a decline in sales of our TrueTouch® touchscreen products and a decrease in sales of certain legacy communication products. The decrease in our TrueTouch® revenue stream was primarily due to a decrease in revenue from our handset customers and lower average selling prices.

Memory Products Division:

Revenues from the Memory Products Division increased by approximately $5.2 million in the second quarter of fiscal 2013 and $5.5 million in the first half of fiscal 2013, or approximately 6.2% and 3.4%, respectively, compared to the same prior-year periods. The increases in MPD revenue were primarily attributable to an increase in revenue of our non-volatile products due to the Ramtron acquisition, partially offset by declines in sales of our SRAMs.

Data Communications Division:

Revenues from the Data Communications Division decreased by $2.0 million in the second quarter of fiscal 2013 and $1.1 million in the first half of fiscal 2013, or approximately 8.5% and 2.5%, respectively, compared to the same prior-year periods primarily due to the decreases in sales of our USB-related products partially offset by increases in sales of our trackpad modules due to the continued sales ramp.

Emerging Technologies Division:

Revenues from Emerging Technologies Division increased by $0.9 million in the second quarter of fiscal 2013 and $1.4 million in the first half of fiscal 2013, respectively, compared to the same prior-year periods primarily due to the overall increase in demand as certain of our Emerging Technologies have increased their production. This increase was partially offset by the loss in revenue from Cypress Envirosystems as we have divested this subsidiary in fiscal 2012.

Cost of Revenues/Gross Margins

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Cost of revenues	$ 102,041	$ 94,531	$ 195,723	$187,840
Gross margin	47.3%	53.0%	46.6%	51.4%

Gross margin percentage decreased to 47.3% in the second quarter of fiscal 2013 from 53.0% in the second quarter of fiscal 2012 and decreased to 46.6% in the first half of fiscal 2013 from 51.4% in the first half of fiscal 2012. In the second quarter and the first half of fiscal 2013, gross margin decreased by 5.7 and 4.8 percentage points, respectively, primarily due to product and customer mix, and certain manufacturing expenses related to Ramtron. Additionally, in the first half of fiscal 2013, gross margin also decreased due to lower utilization in our factories.

Research and Development ("R&D") Expenses

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
R&D expenses	$ 48,804	$ 47,946	$ 98,134	$ 95,914
As a percentage of revenues	25.2%	23.8%	26.8%	24.8%

R&D expenditures increased by $0.9 million in the second quarter of fiscal 2013 compared to the same prior-year period. The increase was primarily attributable to an increase in indirect labor expenses, particularly stock-based compensation expense of $1.5 million, and variable bonus-related expense, of $1.4 million, partially offset by a decrease in purchased technology of $1.3 million. As a percentage of revenues, R&D expenses were higher in the second quarter of fiscal 2013 driven by the decrease in total revenues in the same quarter.

R&D expenditures increased by $2.2 million in the first half of fiscal 2013 compared to the same prior-year period. The increase was primarily attributable to an increase in indirect labor expenses, particularly variable bonus-related expenses, of $3.7 million, and an increase in professional services of $2.3 million. These increases were partially offset by decreases in purchased technology of $1.6 million and outside services of $1.3 million. As a percentage of revenues, R&D expenses were higher in the first half of fiscal 2013 driven by the decrease in total revenues in the same period.

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
SG&A expenses	$ 48,073	$ 51,955	$ 93,515	$112,448
As a percentage of revenues	24.8%	25.8%	25.5%	29.1%

SG&A expenses decreased by $3.9 million in the second quarter of fiscal 2013 compared to the same prior-year period. The decrease was primarily attributable to a $2.0 million decrease in fixed asset write-offs, $1.2 million decrease in marketing and advertising expenses, $0.9 million decrease in charitable donations, and decreased travel expenses of $0.8 million. These decreases were partially offset by an increase in indirect labor expenses, particularly variable bonus-related expenses.

SG&A expenses decreased by $18.9 million in the first half of fiscal 2013 compared to the same prior-year period. The decrease was primarily attributable to a $12.7 million decrease in stock-based compensation expense related to our performance-based stock awards, a $2.0 million decrease in fixed asset write-offs, $1.2 million decrease in marketing and advertising expenses, $0.6 million decrease in charitable donations, and decreased travel expenses of $1.4 million partially offset by an increase in variable related-bonus expenses of $2.0 million. As a percentage of revenues, SG&A expenses were lower in the second quarter and first half of fiscal 2013 driven by a company-wide effort to reduce overall operating expenses.

Amortization of acquisition-related intangible assets

For the three and six months ended June 30, 2013, we recorded amortization expense of acquisition-related intangibles assets of $2.0 million and $4.0 million, respectively. The increase in the amortization expense is related to the increase in acquisition-related intangible assets related to the acquisition of Ramtron in the fourth fiscal quarter of 2012.

Restructuring

For the three and six months ended June 30, 2013, we recorded restructuring charges of $0.7 million and $12.1 million, respectively. For the three and six months ended July 1, 2012, we recorded restructuring charges of $1.0 million and $1.2 million, respectively. The determination of when we accrue for severance and benefits costs, and which accounting standard applies, depends on whether the termination benefits are provided under a one-time benefit arrangement or under an on-going benefit arrangement.

Fiscal 2013 Restructuring Plan

During the first quarter of fiscal 2013, we implemented a restructuring plan to reduce operating expenses as part of our 2013 corporate priorities. The plan includes the termination of employees and the disposal of certain equipment located in our Bloomington, Minnesota facility. To date, we have recorded total restructuring charges of $11.7 million related to the Fiscal 2013 Restructuring Plan. Of the total restructuring charges, $6.7 million was related to property, plant and equipment, $4.5 million was related to personnel costs and $0.5 million was related to the amounts payable upon the termination of agreements with certain distributor representatives.

The restructuring activities related to personnel costs, which are primarily in the U.S., are summarized as follows:

	(In thousands)
Balance as of December 30, 2012	$ —
Provision	3,807
Cash payments	(495)
Balance as of March 31, 2013	$ 3,312
Provision	729
Cash payments	(1,318)
Balance as of June 30, 2013	$ 2,723

The restructuring liability as of June 30, 2013 under the Fiscal 2013 Restructuring Plan is primarily related to personnel costs and is expected to be paid out within the next twelve months.

Fiscal 2011/12 Restructuring Plan

In fiscal 2011, we initiated a restructuring plan which allowed us to continue to allocate and align our resources to the business units that we expect will drive future development and revenue growth ("Fiscal 2011 Restructuring Plan"). To date, we have recorded total restructuring charges of $9.1 million under the Fiscal 2011 Restructuring Plan, which was all related to personnel costs. The restructuring activities related to personnel costs, which are primarily in the U.S., are summarized as follows:

	(In thousands)
Balance as of December 30, 2012	$ 4,506
Provision	350
Cash payments	(946)
Non-cash charges	(250)
Balance as of March 31, 2013	3,660
Cash payments	(870)
Non-cash charges	173
Balance as of June 30, 2013	$ 2,963

The restructuring liability as of June 30, 2013 under the Fiscal 2011 Restructuring Plan related primarily to personnel costs and is expected to be paid out within the next twelve months.

Assets Held-For-Sale

Our Texas facility ceased operations in the fourth quarter of fiscal 2008. As our management has committed to a plan to sell the assets associated with the facility, we have classified the assets as held-for-sale. In fiscal 2012, due to the unfavorable economic and market conditions, management reassessed the fair value of the assets and recorded a write-down of $2.3 million to the estimated fair value of $4.6 million.

During the first quarter of 2013, we incurred a $6.0 million charge to write down certain equipment to the current fair value of $2.3 million. Management considered a third-party valuation in determining the fair value of this held-for-sale asset.

Income Taxes

Our income tax benefit was $9.3 million for the three months ended June 30, 2013 and tax expense was $0.5 million for the three months ended July 1, 2012. Our income tax benefit was $9.2 million and tax expense was $3.0 million for the six months ended June 30, 2013 and July 1, 2012, respectively. The tax benefit for the second quarter and first half of fiscal 2013 was primarily attributable to a release of previously accrued taxes and interest due to the expired statutes of limitations in foreign jurisdictions, offset by non-U.S. taxes on income earned in foreign jurisdictions. The tax expense for the second quarter and first half of fiscal 2012 was primarily attributable to non-U.S. taxes on income earned in foreign jurisdictions, offset by a release of previously accrued taxes and interest due to the expired statutes of limitations in foreign jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes information regarding our cash and investments and working capital:

	As of	
	June 30, 2013	December 30, 2012
	(In thousands)	
Cash and cash equivalents	$ 70,617	$ 63,203
Short-term investments	31,370	54,007
Total cash, cash equivalents and short-term investments	$ 101,987	$ 117,210
Total current assets	$ 359,867	$ 368,808
Total current liabilities	359,678	348,748
Working capital	$ 189	$ 20,060

Key Components of Cash Flows

	Six Months Ended	
	June 30, 2013	July 1, 2012
	(In thousands)	
Net cash provided by operating activities	$ 38,620	$ 59,630
Net cash provided by (used in) investing activities	$ 2,650	$ (47,984)
Net cash provided by (used in) financing activities	$ (33,856)	$ 6,899

Six Months Ended June 30, 2013:

During the six months ended June 30, 2013, cash and cash equivalents increased by approximately $7.4 million primarily due to the cash we generated from our operating and investing activities of approximately $38.6 million and $2.7 million, respectively. This increase was partially offset by the $33.9 million cash we used in our financing activities, principally related to our dividend payments of $32.0 million and our net repayment of our revolver of $5.0 million.

Operating Activities

The $38.6 million cash generated from our operating activities during the six months ended June 30, 2013 was primarily due to $55.9 million in net favorable non-cash adjustments to our net loss, decrease in net inventories, an increase in deferred margin on sales to distributors, partially offset by an increase in accounts receivable, and a decrease in accrued liabilities and other liabilities.

The key changes in our working capital as of June 30, 2013 compared to December 30, 2012 were as follows:

- Total cash, cash equivalents and short-term investments decreased by $15.2 million primarily due to our cash dividend.
- Accounts receivable increased by $31.9 million primarily due to an increase in distributor shipments.
- Deferred margin on sales to distributors increased by $27.2 million due to an increase in distributor shipments.
- Inventories decreased by $29.8 million compared to December 30, 2012 due in part to reduced wafer starts to manage our production and an increase in distributor shipments in the latter-half of the quarter.

Investing Activities

During the six months ended June 30, 2013, we generated approximately $2.7 million of cash from our investing activities primarily due to $47.0 million the sales or maturities of investments totaling, partially offset by $23.4 million used for purchases of available-for-sale investments, $17.1 million of cash used for property and equipment expenditures and $4.4 million cash paid as an additional investment in certain non-marketable equity securities.

Financing Activities

During the six months ended June 30, 2013, we used approximately $33.9 million of cash from our financing activities primarily related to $32.0 million for our dividend payment, $6.2 million of cash used to repay equipment leases and loan, $5.0 million of cash used to partially repay our revolver, and $3.3 million to pay off the remaining mortgage note related to the Ramtron acquisition. These decreases were partially offset by net proceeds from the issuance of common shares under our employee stock plans of $15.6 million.

Six Months Ended July 1, 2012:

Operating Activities

The $59.6 million cash generated from our operating activities during the six months ended July 1, 2012 was primarily due to $80.0 million in net favorable non-cash adjustments to our net loss, an increase in accounts payable and other liabilities, partially offset by the increase in accounts receivable, an increase in other current and long-term assets and a decrease in deferred income on sales to distributors.

The key changes in our working capital as of July 1, 2012 compared to January 1, 2012 were as follows:

- Total cash, cash equivalents and short-term investments increased by $44.5 million primarily due to the line of credit and Credit Facility proceeds.

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- Accounts receivable increased by $22.7 million primarily due to an increase in distributor shipments.
- Other current assets increased by $9.8 million primarily due to an increase in miscellaneous receivables and prepaid expenses.
- Net borrowings of $153 million in the first half of fiscal 2012 from the Credit Facility.
- Other current liabilities increased by $16.2 million primarily due to the accrual of a patent license fee related to a Patent License Agreement.
- Dividends payable increased by $2.9 million due to the increase in dividend per share from $0.09 to $0.11.

Investing Activities

During the six months ended July 1, 2012, we used approximately $48.0 million of cash from our investing activities primarily due to $81.8 million of purchases of available-for-sale investments, $19.7 million of cash used for property and equipment expenditures and $7.2 million of cash was used for other investing activities, partially offset from net proceeds from the sales or maturities of investments totaling $60.4 million.

Financing Activities

During the six months ended July 1, 2012, we generated approximately $6.9 million of cash in our financing activities. The net cash provided by our financing activities was primarily due to $203.0 million of cash we drew from our line of credit and Credit Facility and $10.0 million of net proceeds from the issuance of common shares under our employee stock plans, partially offset by the $97.9 million of cash we used to repurchase shares of our stock in the open market, $57.7 million used to repay equipment leases and loans, $20.0 million payments related to statutory income tax withholdings on vested restricted stock awards in lieu of issuing shares of stock (considered as part of our stock buyback program) and $30.5 million dividends paid.

Liquidity and Contractual Obligations

Liquidity

Stock Buyback Programs:

On September 20, 2011, our Board of Directors authorized a $400 million stock buyback program. For the three months ended June 30, 2013, repurchases made under this program were immaterial. As of June 30, 2013, the total remaining dollar value of the shares that may be repurchased under the program was approximately $83.8 million.

Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2013:

	Total	2013	2014 and 2015	2016 and 2017	After 2017
			(In thousands)		
Purchase obligations (1)	$ 90,323	$83,448	$ 6,875	$ —	$ —
Operating lease commitments	25,445	3,589	12,445	7,048	2,363
Capital lease commitments	14,525	1,473	5,872	7,180	—
Patent license fee commitments (2)	5,880	—	—	5,880	—
Total contractual obligations	$136,173	$88,510	$ 25,192	$ 20,108	$ 2,363

(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) On April 30, 2012, we entered into a patent license agreement whereby we have committed to pay a total patent license fee of $14.0 million in fiscal 2012. We have also committed to pay another $5.9 million on or before April 30, 2016 representing fees for future purchases of patents and patent related services.

As of June 30, 2013, our unrecognized tax benefits were $18.6 million, which were classified as long-term liabilities. We believe it is possible that we may recognize approximately $2.5 million to $3.5 million of our existing unrecognized tax benefits within the next twelve months as a result of the lapse of statutes of limitations and the resolution of agreements with domestic and various foreign tax authorities.

Equity Investment Commitments

As disclosed in Note 5 of Notes to Condensed Consolidated Financial Statements under Part I, Item 1—*Financial Statements*, we have committed to purchase additional preferred stock from a company that works in the area of advanced battery storage in a series of subsequent closings subject to certain performance milestones that must be fulfilled within a defined and agreed upon timeline. Of our total commitment of $79 million, we plan to purchase additional preferred stock of approximately $11 million in fiscal 2013. We plan to invest $61 million in fiscal 2014 and $7 million in fiscal 2015 subject to the attainment of certain milestones and the timing of additional capital requests which could vary substantially.

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, debt securities and the repayment of our short-term debt, the purchase of our stock through our stock buyback program and payments of regularly scheduled cash dividends. As of June 30, 2013, in addition to $70.6 million in cash and cash equivalents, we had $31.4 million invested in short-term investments for a total cash, cash equivalents and short-term investment position of $102.0 million that is available for use in our current operations.

As of June 30, 2013, approximately 33% of our cash, cash equivalents and available-for-sale investments are held in offshore funds. While these amounts are primarily invested in U.S. dollars, a portion is held in foreign currencies. All offshore balances are exposed to local political, banking, currency control and other risks. In addition, these amounts, if repatriated may be subject to tax and other transfer restrictions.

We believe that 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 prevailing 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.

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles ("Non-GAAP") financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. To supplement our condensed consolidated financial results presented in accordance with GAAP, we use Non-GAAP financial measures which are adjusted from the most directly comparable GAAP financial measures to exclude certain items, as described below. Management believes that these Non-GAAP financial measures reflect an additional and useful way of viewing aspects of our operations that, when viewed in conjunction with our GAAP results, provide a more comprehensive understanding of the various factors and trends affecting our business and operations. Non-GAAP financial measures used by us include gross margin, research and development expenses, selling, general and administrative expenses, operating income or loss, net income or loss and basic and diluted net income or loss per share.

Our Non-GAAP measures primarily exclude stock-based compensation, acquisition-related charges, impairments to goodwill, gain or losses on divestiture, investment-related gains and losses, discontinued operations, restructuring costs and other special charges and credits. Management believes these Non-GAAP financial measures provide meaningful supplemental information regarding our strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management's internal comparisons to our historical operating results and comparisons to competitors' operating results.

We use each of these Non-GAAP financial measures for internal managerial purposes, when providing our financial results and business outlook to the public, to facilitate period-to-period comparisons and are used to formulate our formula driven cash bonus plan and any milestone based stock awards. Management believes that these Non-GAAP measures provide meaningful supplemental information regarding our operational and financial performance of current and historical results. Management uses these Non-GAAP measures for strategic and business decision making, internal budgeting, forecasting and resource allocation processes. In addition, these Non-GAAP financial measures facilitate management's internal comparisons to our historical operating results and comparisons to competitors' operating results.

The following table shows our Non-GAAP financial measures:

	Three Months Ended	
	June 30, 2013	July 1, 2012
	(In thousands, except per share amounts)	
Non-GAAP gross margin	$ 102,737	$ 114,802
Non-GAAP research and development expenses	$ 41,766	$ 42,555
Non-GAAP selling, general and administrative expenses	$ 37,467	$ 41,144
Non-GAAP operating income	$ 23,504	$ 31,104
Non-GAAP net income attributable to Cypress	$ 21,635	$ 30,298
Non-GAAP net income per share attributable to Cypress—diluted	$ 0.14	$ 0.18

We believe that providing these Non-GAAP financial measures, in addition to the GAAP financial results, are useful to investors because they allow investors to see our results "through the eyes" of management as these Non-GAAP financial measures reflect our internal measurement processes. Management believes that these Non-GAAP financial measures enable investors to better assess changes in each key element of our operating results across different reporting periods on a consistent basis and provides investors with another method for assessing our operating results in a manner that is focused on the performance of our ongoing operations.

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CYPRESS SEMICONDUCTOR CORPORATION
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
(In thousands, except per-share data)
(Unaudited)

	Three Months Ended	
	June 30, 2013	July 1, 2012
	(In thousands, except per share amounts)	
GAAP gross margin	$ 91,425	$106,769
Stock-based compensation expense	3,279	7,759
Changes in value of deferred compensation plan	31	(40)
Acquisition-related expenses	1,321	—
Impairment of assets and other	6,681	314
Non-GAAP gross margin	$ 102,737	$114,802
GAAP research and development expenses	$ 48,804	$ 47,946
Stock-based compensation expense	(6,913)	(5,480)
Changes in value of deferred compensation plan	(99)	89
Acquisition-related expenses	(26)	—
Non-GAAP research and development expenses	$ 41,766	$ 42,555
GAAP selling, general and administrative expenses	$ 48,073	$ 51,955
Stock-based compensation expense	(10,203)	(8,991)
Changes in value of deferred compensation plan	(145)	183
Acquisition-related expenses	(98)	(2,003)
Impairment of assets and other	(160)	—
Non-GAAP selling, general and administrative expenses	$ 37,467	$ 41,144
GAAP operating income (loss)	$ (8,132)	$ 5,148
Stock-based compensation expense	20,395	22,230
Changes in value of deferred compensation plan	275	(312)
Acquisition-related expenses	3,432	2,734
Impairment of assets and other	6,841	315
Restructuring charges	693	989
Non-GAAP operating income	$ 23,504	$ 31,104
GAAP net income attributable to Cypress	$ 3,766	$ 4,977
Stock-based compensation	20,395	22,230
Changes in value of deferred compensation plan	(21)	530
Acquisition-related expenses	3,432	2,734
Impairment of assets and other	5,763	315
Restructuring charges	693	989
Tax and tax-related items	(12,393)	(1,477)
Non-GAAP net income attributable to Cypress	$ 21,635	$ 30,298
GAAP net income per share attributable to Cypress-diluted	$ 0.02	$ 0.03
Stock-based compensation expense and other	0.13	0.14
Acquisition-related expenses	0.02	0.02
Impairment of assets and other	0.04	—
Restructuring charges	0.01	0.01
Tax and tax-related items	(0.08)	(0.01)
Non-GAAP share count adjustment	—	(0.01)
Non-GAAP net income attributable to Cypress-diluted	$ 0.14	$ 0.18

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risks

Our investment portfolio consists of a variety of financial instruments that exposes us to interest rate risk, including, but not limited to, money market funds, commercial paper 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 10% increase in interest rates would have a material effect on the fair market value of our portfolio. Since we believe we have the ability to liquidate this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

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. As a result, we are exposed to risks associated with changes in foreign currency exchange rates. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. For example, when foreign currencies appreciate against the U.S. dollar, inventory and expenses denominated in foreign currencies become more expensive. An increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive for international customers, thus potentially leading to a reduction in demand, and therefore in our sales and profitability. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with those companies. We cannot predict the impact of future exchange rate fluctuations on our business and results 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.

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.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three month period ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this item is included in Note 8 of Notes to Condensed Consolidated Financial Statements under Item 1, Part 1 of this Quarterly Report on Form 10-Q and is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Aside from the risk factors below, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 30, 2012.

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

ISSUER PURCHASES OF EQUITY SECURITIES

On September 20, 2011, our Board of Directors (the "Board") authorized a $400 million stock buyback program. The program allows us to purchase our common stock or enter into equity derivative transactions related to our common stock. The timing and actual amount expended with the new authorized funds will depend on a variety of factors including the market price of our common stock, regulatory, legal, and contractual requirements, other uses of cash, and other market factors. The program does not obligate us to repurchase any particular amount of common stock and may be modified or suspended at any time at the discretion of our Board.

The table below sets forth information with respect to repurchases of our common stock made during the first half of fiscal 2013 under this program:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Shares Purchased as Part of Publicly Announced Programs	Total Dollar Value of Shares That May Yet Be Purchased Under the Plan or Program
	(In thousands, except per-share amounts)			
Remaining balance available for purchases at the beginning of the period				$ 88,381
Repurchases during Q1-2013:				
December 31 , 2012—March 31, 2013	412	$ 10.81	412	$ 83,930
Total repurchases during Q1-2013	412	$ 10.81	412	$ 83,930
Repurchases during Q2-2013:				
April 1, 2013—June 30, 2013	10	$ 10.71	10	83,824
Total repurchases during Q2-2013	10	$ 10.71	10	83,824
Grand total repurchase during Q1 and Q2 2013	422		422	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information required by this item is published Form 8-K, filed May 13, 2013, file number 001-10079, and is incorporated herein by reference.

PART II—OTHER INFORMATION (Continued)

ITEM 5. OTHER INFORMATION

Quarterly Executive Incentive Payments

On August 1, 2013, Cypress's Compensation Committee of the Board of Directors (the "Compensation Committee") approved the incentive payments to our executive officers for the second quarter of fiscal 2013 performance incentive plans. These payments were earned in accordance with the terms of our Key Employee Bonus Plan (the "KEBP") and the Performance Bonus Plan (the "PBP").

The payments were determined based upon the financial performance of Cypress and each executive's performance. The performance measures under the KEBP include our non-GAAP profit-before-taxes percentage as well as individual strategic, operational and financial goals established for each executive. The following table sets forth the cash payments to our Named Executive Officers (as determined in our Proxy Statement filed with the Securities and Exchange Commission on March 29, 2013) under the KEBP and the PBP in the second of fiscal 2013:

Named Executive Officers	KEBP	PBP
T.J. Rodgers, President and Chief Executive Officer	—	$29,295
Brad W. Buss, Executive Vice President, Finance & Administration and Chief Financial Officer	$7,924	—
Paul Keswick, Executive Vice President, New Product Development	$3.949	—
Christopher Seams, Chief Executive Office, Deca Tecnologies, Inc.	$3,320	—
Dana Nazarian, Executive Vice President, Memory Products Division	$5,577	—

Additionally, the Compensation Committee authorized quarterly and annual incentive payments under the KEBP, totaling $40,187, to seven other senior executive officers who are not Named Executive Officers.

Mr. Paul Keswick, our Executive Vice President of New Product Development, was paid an incentive payment amounting to $21,442 in accordance with the terms of our Design Bonus Plan (the "DBP"). The payment amount was determined based upon the performance of Mr. Keswick during the second quarter of fiscal 2013. Mr. Keswick is the only named executive officer participant to the DBP as it is a bonus plan available to our design and certain product development engineers.

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ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated by Reference Form	Filing Date	File No.	Filed Herewith
4.1	Cypress Non-Qualified Deferred Compensation Plan I	S-8	6/26/2013	001-10079	
4.2	Cypress Non-Qualified Deferred Compensation Plan II	S-8	6/26/2013	001-10079	
10.1	Employee Stock Purchase Plan, as amended				X
10.2	2013 Stock Plan				X
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS*	XBRL Instance Document.				
101.SCH*	XBRL Taxonomy Extension Schema Document.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.				

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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: August 2, 2013

By: /s/ BRAD W. BUSS

Brad W. Buss
Executive Vice President, Finance and Administration and Chief Financial Officer

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Exhibit 10.1

CYPRESS SEMICONDUCTOR CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

Amended and Restated As of the Date of the 2013 Annual Stockholders Meeting

The following constitute the provisions of the Employee Stock Purchase Plan (herein called the "Plan") of Cypress Semiconductor Corporation (herein called the "Company").

1. PURPOSE. The purpose of the Plan is to provide employees of the Company and its designated subsidiaries with an opportunity to purchase common stock of the Company through accumulated payroll deductions. This Plan includes two components: a Code Section 423 Plan Component and a Non-423 Plan Component. It is the intention of the Company to have the Code Section 423 Plan Component qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code and the provisions of the Plan with respect to the Code Section 423 Component, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code. In addition, this Plan authorizes the grant of options under the Non-423 Plan Component that do not qualify under Section 423 of the Code, pursuant to the rules, procedures or sub-plans adopted by the Administrator that are designed to achieve tax, securities laws or other objectives for Employees and/or the Company. Except as otherwise indicated, the Non-423 Plan Component will operate and be administered in the same manner as the Code Section 423 Plan Component.

1. DEFINITIONS.

1.1 "Act" shall mean the Securities Exchange Act of 1934, as amended.

1.2 "Administrator" shall mean the Board of the company or any committee of the members of the Board authorized to administer the Plan.

1.3 "Board" shall mean the Board of Directors of the Company.

1.4 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.5 "Code Section 423 Plan Component" shall mean the component of this Plan that is intended to meet the requirements set forth in Section 423(b) of the Code. The Code Section 423 Plan Component shall be construed, administered and enforced in accordance with Section 423(b) of the Code.

1.6 "Common Stock" shall mean the Common Stock of the Company.

1.7 "Company" shall mean Cypress Semiconductor Corporation, a Delaware corporation.

1.8 "Compensation" shall mean all regular straight time earnings, payments for overtime, shift premium, cash incentive compensation, cash incentive payments, cash bonuses and commissions (except to the extent that the exclusion of any such items for all participants is specifically directed by the Board or its committee). The Administrator shall have the discretion to determine what constitutes Compensation for Employees under the Plan, but for purposes of Employees participating in the Code Section 423 Plan Component, such determination will be applied on a uniform, non-discriminatory basis.

1.9 "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

1.10 "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan. The Administrator may provide that any Designated Subsidiary shall only be eligible to participate in the Non- 423 Plan Component and at any given time, a Subsidiary that is a Designated Subsidiary under the Code Section 423 Plan Component shall not be a Designated Subsidiary under the Non-423 Plan Component.

1.11 "Employee" shall mean any person, including an officer, who is customarily employed for at least twenty (20) hours per week in a calendar year by the Company or one of its Designated Subsidiaries; provided, however that any temporary or contingency work shall not be included in this definition or be permitted to participate under the Plan. For Offering Periods under the Non-423 Plan Component, Employee shall also mean any other employee of Company or one of its Designated Subsidiaries to the extent that applicable law requires participation in the Plan to be extended to such employee, as determined by the Administrator; unless such employee resides in a country that has been specifically excluded from participation in the Non-423 Component at the discretion of the Administrator.

1.12 "Exercise Date" shall mean the first Trading Day on or after December 31 and June 30 of each year.

1.13 "Exercise Period" shall mean the approximately six (6) month period commencing on one Exercise Date and ending with the next Exercise Date, except that the first Exercise Period of any Offering Period shall commence on the Offering Date and end with the next Exercise Date.

1.14 "Non-423 Plan Component" shall mean a component of this Plan that is not intended to meet the requirements set forth in Section 423(b) of the Code.

1.15 "Offering Period" shall mean a period of approximately eighteen (18) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after December 31 and June 30 of each year and terminating on the Offering Period commencement date approximately eighteen months later.

1.16 "Offering Date" shall mean the first Trading Day of each Offering Period of the Plan.

1.17 "Plan" shall mean this Employee Stock Purchase Plan, which includes a Code Section 423(b) Plan and a non-423(b) Component.

1.18 "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

1.19 "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

2. ELIGIBILITY.

2.1 Any Employee as defined in paragraph 2 who is employed by the Company as of an Offering Date shall be eligible to participate in the Plan; provided that for purposes of Participants participating in the Code Section 423 Plan Component, this rule will be applied on a uniform and non-discriminatory basis.

2.2 Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering Period if the participation of such Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code.

2.3 No Employee shall be eligible to participate in the Non-423(b) Component of the Plan if he or she is an officer or director of the Company subject to the requirements of Section 16 of the U.S. Securities Exchange Act of 1934, as amended.

2.4 Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) which permits his rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) of fair market value of such stock determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

3. OFFERING PERIODS. The Plan shall be implemented by eighteen (18) month Offering Periods beginning approximately every six (6) months with a new Offering Period commencing on the first trading day on or after December 31 and June 30 each year, or on such other date as the Board shall determine. The Plan shall continue thereafter until terminated in accordance with paragraph 20 hereof. Subject to the requirements of paragraph 20, the Board shall have the power to change the duration of offering periods with respect to future offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first offering period to be affected.

4. PARTICIPATION.

4.1 An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deduction on the form provided by the Company and filing it with the Company's payroll office prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given offering; provided that Employees participating in the Non-423 Component may contribute funds to participate in the Plan through other means specified by the Administrator to comply with non-U.S. requirements. For purposes of Employees participating in the Code Section 423 Plan Component, the processing of enrollments, whether on-line or via hard copy, will be applied on a uniform and non-discriminatory basis.

4.2 Payroll deductions for a participant shall commence on the first payroll following the Offering Date and shall end on the Exercise Date of the offering to which such authorization is applicable, unless sooner terminated by the participant as provided in paragraph 11.

5. PAYROLL DEDUCTIONS.

5.1 At the time a participant files his subscription agreement, he shall elect to have payroll deductions made on each payday during the Offering Period in amounts from two (2%) to ten percent (10%) of his Compensation; or such greater percentage of Compensation as the Board, in its sole discretion, determines and communicates to eligible Employees prior to the commencement of the first Offering Period affected thereby. The aggregate of such payroll deductions during any Offering Period shall not exceed ten percent (10%) of his aggregate Compensation (or such greater percentage of Compensation as is determined by the Board pursuant to the preceding sentence) during said offering period.

5.2 All payroll deductions made by a participant shall be credited to his account under the Plan. A participant may not make any additional payments into such account.

5.3 A participant may discontinue his participation in the Plan as provided in paragraph 11, or may decrease or increase the rate or amount of his payroll deductions during the Offering Period (within the limitations of paragraph 6(a)) by completing and filing with the Company a new subscription agreement authorizing a change in the rate or amount of payroll deductions; provided, however, that a participant may not change the rate or amount of his payroll deductions more than two (2) times in any one calendar year. The change in rate shall be effective fifteen (15) days following the Company's receipt of the new authorization. Subject to the limitations of paragraph 6(a), a participant's subscription agreement shall remain in effect for successive Offering Periods unless revised as provided herein or terminated as provided in paragraph 11.

5.4 Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and paragraph 3(b) herein, a participant's payroll deductions may be decreased to 0% at such time during any Exercise Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Exercise Period and any other Exercise Period ending within the same calendar year equal $21,250. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Exercise Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in paragraph 11.

6. GRANT OF OPTION.

6.1 On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Exercise Date; provided, however, that the maximum number of Shares an Employee may purchase during each Offering Period shall be determined at the Offering Date by dividing $25,000 by the fair market value of a share of the Company's Common Stock on the Offering Date, and provided further that such purchase shall be subject to the limitations set forth in paragraphs 3.4 and 13 hereof. In the case of the Non-423 Component, the number of shares shall be determined as set forth in the preceding sentence or determined pursuant to such manner or method as determined by the Administrator to comply with non-U.S. requirements. Exercise of the option shall occur as provided in paragraph 8, unless the participant has withdrawn pursuant to paragraph 11, and shall expire on the last day of the Offering Period. Fair market value of a share of the Company's Common Stock shall be determined as provided in paragraph 7(b) herein.

6.2 The option price per share of the shares offered in a given Exercise Period shall be the lower of: (i) eighty-five percent (85%) of the fair market value of a share of the Common Stock of the Company on the Offering Date; or (ii) eighty-five percent (85%) of the fair market value of a share of the Common Stock of the Company on the Exercise Date, and in the case of the Non-423 Component, it shall be the lower of prices above or determined pursuant to such manner or method as determined by the Administrator to comply with non-U.S. requirements. The fair market value of the Company's Common Stock on a given date shall be determined by the Board in its discretion; provided, however, that where there is a public market for the Common Stock, the fair market value per share shall be the closing price of the Common Stock for such date on the NASDAQ or on such other stock exchange as the Company's Common Stock may be traded or, if not traded on a stock exchange, as reported by the NASDAQ National Market System, or, in the event the Common Stock is not listed on a stock exchange or NASDAQ's National Market System, the fair market value per share shall be the mean of the bid and asked prices of the Common Stock reported for such date in over-the-counter trading.

7. EXERCISE OF OPTION. Unless a participant withdraws from the plan as provided in paragraph 11, his option for the purchase of shares will be exercised automatically on each exercise date of the offering period, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable option price with the accumulated payroll deductions in his account. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him.

8. DELIVERY. As promptly as practicable after the exercise date of each exercise period, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his option or an electronic notice reflecting the allocation of such shares to his brokerage account. Any cash remaining to the credit of a participant's account under the plan after a purchase by him of shares at the termination of each exercise period which is insufficient to purchase a full share of common stock of the Company shall be applied to the participant's account for the next exercise period. Any other excess accumulated payroll deductions shall be returned to the participant.

9. AUTOMATIC TRANSFER TO LOW PRICE OFFERING PERIOD. In the event that the fair market value of the Company's common stock is lower on an Exercise Date than it was on the Offering Date for that Offering Period, all employees participating in the plan on the Exercise Date shall be deemed to have withdrawn from the Offering Period immediately after the exercise of their option on such Exercise Date and to have enrolled as participants in the newly commencing Offering Period. A participant may elect to remain in the previous Offering Period by filing a written statement declaring such election with the Company prior to the time of the automatic change to the new Offering Period.

10. WITHDRAWAL; TERMINATION OF EMPLOYMENT.

10.1 A participant may withdraw all but not less than all the payroll deductions credited to his account and not yet used to exercise his option under the Plan at any time by giving written notice to the Company. Notwithstanding the foregoing, for purposes of Employees participating in the Code Section 423 Plan Component, the processing of withdrawals, whether on-line or via hard copy, will be applied in a uniform and non-discriminatory basis. All of the participant's payroll deductions credited to his account will be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made during the Offering Period. If a participant withdraws from an Offering Period, payroll deductions will not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

10.2 Upon termination of the participant's Continuous Status as an Employee prior to an Exercise Date for any reason, including retirement or death, the payroll deductions credited to such participant's account during the Offering Period but not yet used to exercise the option will be returned to such participant or, in the case of his death, to the person or persons entitled thereto under paragraph 15, and such participant's option will be automatically terminated.

10.3 In the event an Employee fails to remain in Continuous Status as an Employee of the Company during an Offering Period in which the Employee is a participant, he will be deemed to have elected to withdraw from the Plan and the payroll deductions credited to his account will be returned to such participant and such participant's option terminated.

10.4 A participant's withdrawal from an Offering Period will not have any effect upon his eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

10.5 A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company.

11. INTEREST. No interest shall accrue on the payroll deductions of a participant in the Plan, except as may be required by applicable law, as determined by the Administrator, for participants in the Non-423 Plan Component (or the Code Section 423 Plan Component if permitted under Section 423 of the Code).

12. STOCK.

12.1 The maximum number of shares of the Company's Common Stock which are available for future issuance under the Plan shall be 4,210,080 shares, plus, commencing on the first day of the Company's 2014 fiscal year, an annual increase equal to the lesser of (i) 2,000,000 shares, (ii) .75% of the Issued Shares (as defined below) as of the last day of the immediately preceding fiscal year, or (iii) a lesser amount determined by the Board, all subject to adjustment upon changes in capitalization of the Company as provided in paragraph 19. "Issued Shares" shall mean the number of shares of Common Stock of the Company outstanding on such date plus any shares reacquired by the Company during the fiscal year that ends on such date. If the total number of shares which would otherwise be subject to options granted pursuant to paragraph 7(a) hereof on the Exercise Date exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable; provided, however, for purposes of Employees participating in the Code Section 423 Plan Component, any pro rata allocation, will be applied on a uniform and non-discriminatory basis. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

12.2 The participant will have no interest or voting right in shares covered by his option until such option has been exercised.

12.3 Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his spouse.

13. ADMINISTRATION. The Plan shall be administered by the Administrator. The Administrator is specifically authorized to adopt rules, procedures and subplans, which for purposes of the Non-423 Component may be outside the scope of Section 423 of the Code, regarding, but not limited to, eligibility to participate, the definition of Compensation, handling of payroll deductions, making of contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold payroll deductions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates which vary with local requirements. The administration, interpretation or application of the Plan by the Administrator shall be final, conclusive and binding upon all participants.

14. DESIGNATION OF BENEFICIARY.

14.1 A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the Offering Period.

14.2 Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. TRANSFERABILITY. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in paragraph 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with paragraph 11.

16. USE OF FUNDS. All payroll deductions received or held by the Company under the plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions except for deductions or contributions made to a Non-423 Component where, as determined by the Administrator, non-U.S. law requires segregation of such amounts. Until shares are issued, participants shall only have the rights of an unsecured creditor, although participants in the Non-423 Component may have additional rights where required under local law, as determined by the Administrator.

17. REPORTS. Individual accounts will be maintained for each participant in the plan. Statements of account will be given to participating employees promptly following the exercise date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION. Subject to any required action by the stockholders of the Company, the number of shares of common stock covered by each option under the plan which has not yet been exercised and the number of shares of common stock which have been authorized for issuance under the plan but have not yet been placed under option, including the annual share replenishment limit of two million shares set forth in Section 13, (collectively, the "reserves") as well as the price per share of common stock covered by each option under the plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a stock split or the payment of a stock dividend (but only on the common stock) or any other increase or decrease in the number of 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 issue 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.

In the event of the proposed dissolution or liquidation of the Company, the offering period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the option stock, including shares as to which the option would not otherwise be exercisable. If the Board makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

19. AMENDMENT OR TERMINATION.

19.1 The Administrator may at any time and for any reason terminate or amend the Plan. Except as otherwise provided in the Plan, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Administrator on any Exercise Date if the Administrator determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 and this Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

19.2 Without stockholder consent and without regard to whether any participant rights may be considered to have been “adversely affected,” the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company’s processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant’s Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

19.3 In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

19.3.1 increasing the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

19.3.2 shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Administrator action; and

19.3.3 allocating shares.

20. NOTICES. All notices or other communications by a participant to the Company under or in connection with the plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the securities act of 1933, as amended, the act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise 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 by any of the aforementioned applicable provisions of law.

22. CODE SECTION 409A. The Code Section 423 Plan Component is exempt from the application of Code Section 409A. The Non-423 Plan Component is intended to be exempt from Code Section 409A under the short-term deferral exception and any ambiguities herein will be interpreted to so be exempt from Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Administrator determines is necessary or appropriate, in each case, without the participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Administrator with respect thereto. The Company makes no representation that the option to purchase Common Stock under the Plan is compliant with Code Section 409A.

23. TERM OF PLAN. Except to the extent it is terminated earlier pursuant to Section 20, the plan shall remain in effect until May 10, 2023.

Exhibit 10.2

CYPRESS SEMICONDUCTOR CORPORATION

2013 STOCK PLAN

Amending and Restating the 1994 Stock Plan As of the Date of the 2013 Annual Stockholders Meeting

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 all 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. STOCK SUBJECT TO THE PLAN. The maximum aggregated number of Shares authorized for issuance under the Plan is 145,195,220. 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 will 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 qualify Options granted hereunder as "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 23.19 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 subsection 18.3 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 22 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 2013. It shall continue in effect until January 15, 2024, 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 (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 Waiting 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. Such 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 and annually thereafter on the date of the annual stockholder meeting (so long as the Outside Director has been serving as such for at least three months), 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 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 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 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 Participant:

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 Participant continued living and remained in Continuous Status 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 appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), 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 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 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; and

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 13.1.1(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 appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), 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 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 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 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 or Restricted Stock 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 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 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 of 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 or restricted stock 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 or 16.1 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 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 shall not have been 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. 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.

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 "Board" means the Board of Directors of the Company.

24.5 "Code" means the Internal Revenue Code of 1986, as amended.

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

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

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

24.9 “Consultant” means any person, including an advisor, 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.

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

24.11 “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.

24.12 “Director” means a member of the Board.

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

24.14 “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.

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

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

24.16.1 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

24.16.2 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

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

24.17 “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.

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

24.19 “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.

24.20 “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.

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

24.22 “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.

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

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

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

24.26 “Participant” means an Employee, Consultant or Outside Director who holds an outstanding Option or Restricted Stock award.

24.27 “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.

24.28 “Plan” means this 2013 Stock Plan, as amended.

24.29 “Restricted Stock/RSUs” means shares of Common Stock granted pursuant to Section 12 of the Plan.

24.30 “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.

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

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

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

Exhibit 31.1

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

I, T.J. Rodgers, 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.

Dated: August 2, 2013

By: /s/ T. J. RODGERS
T. J. Rodgers
President and Chief Executive Officer

Exhibit 31.2

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

I, Brad W. Buss, 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.

Dated: August 2, 2013

By: /s/ BRAD W. BUSS

Brad W. Buss
Executive Vice President, Finance and Administration and Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, T. J. Rodgers, 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 June 30, 2013 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: August 2, 2013

By: /s/ T. J. RODGERS
T. J. Rodgers
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Brad W. Buss, 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 June 30, 2013 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: August 2, 2013

By: /s/ BRAD W. BUSS

Brad W. Buss
Executive Vice President, Finance and Administration and Chief Financial Officer