Spansion Inc.
Form 10-K/A
April 26, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 27, 2009

OR

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

For the transition period from to

Commission File Number 000-51666

SPANSION INC.

(DEBTOR-IN-POSSESSION)

(Exact name of registrant as specified in its charter)

Delaware	**20-3898239**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

915 DeGuigne Drive

P.O. Box 3453

Sunnyvale, CA 94088

(408) 962-2500

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

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

None

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

Title of each class
Class A Common Stock, $0.001 Par Value Per Share

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

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

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 x 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 (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of Class A Common Stock (Common Stock) held by non-affiliates of the registrant based upon the closing sale price as reported on The Pink Sheets on June 26, 2009 was approximately $10.3 million. Shares held by each executive officer, director and by each person who owns 10 percent or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ¨ No ¨

The number of shares outstanding of each of the registrant s classes of common stock as of the close of business on February 11, 2010:

Class	Number of Shares
Class A Common Stock, $0.001 par value	162,441,984

DOCUMENTS INCORPORATED BY REFERENCE

None.

SPANSION INC.

AMENDMENT NO. 1 TO FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 27, 2009

Explanatory Note

This Amendment No. 1 on Form 10-K/A (the Amendment) amends the Annual Report on Form 10-K of Spansion Inc. for the fiscal year ended December 27, 2009, originally filed with the Securities and Exchange Commission (SEC) on February 12, 2010 (the Original Filing). We are filing this Amendment to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 27, 2009. We are also including as exhibits the current certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC on or subsequent to February 12, 2010. In this Amendment, unless the context indicates otherwise, the terms Company, we, us, and our refer to Spansion Inc. and our consolidated subsidiaries. Other defined terms used in this Amendment but not defined herein shall have the meaning specified for such terms in the Original Filing.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table presents information with respect to our directors and executive officers as of April 23, 2010.

Name	Age	Position
John H. Kispert	46	President, Chief Executive Officer and Director
Donald L. Lucas	80	Chairman of the Board of Directors
David K. Chao	43	Director
Boaz Eitan	61	Director
John M. Stich	68	Director
Thomas T. Eby	49	Executive Vice President, Strategy and Communications
Randy W. Furr	55	Executive Vice President and Chief Financial Officer
Ahmed Nawaz	60	Executive Vice President, Sales

John H. Kispert has served as a Class A Director and President and Chief Executive Officer of Spansion since February 2009. Mr. Kispert also served as Interim Chief Financial Officer from April 29, 2009 through May 19, 2009. From 1995 through January 2009, Mr. Kispert served in a number of finance and operational roles at KLA-Tencor, including serving as president and chief operations officer from January 2006 to January 2009 and also serving as chief financial officer from March 2008 to September 2008. Prior to that, Mr. Kispert held several senior management positions with IBM. Mr. Kispert has served on the Board of Directors of Extreme Networks, Inc. since May of 2009. Mr. Kispert holds a master s degree in Business Administration from the University of California, Los Angeles and a bachelor s degree in Political Science from Grinnell College. Our Board of Directors has concluded that Mr. Kispert should serve on the Board based on Mr. Kispert s significant senior leadership, industry, financial and operational experience. In addition, as Spansion s President and Chief Executive Officer, Mr. Kispert has direct responsibility for Spansion s strategy and operations.

Donald L. Lucas has served as Chairman of the Board of Directors and as a Class A Director since September 2007. Since 1967, Mr. Lucas has been actively engaged in venture capital activities as a private individual. He has been a director of Oracle Corporation since 1980 and serves as chairman of Oracle Corporation s executive committee. Mr. Lucas also currently serves as chairman of the board of directors of DexCom, Inc., where he has served since 2007,and 51job, Inc., where he has served since 2004 and as a director of Cadence Design Systems, Inc., where he has served since 1988, and Vimicro Corp., where he has served since 2004. Mr. Lucas received a bachelor s degree from Stanford University and a master s degree from the Stanford Graduate School of Business. Our Board of Directors has concluded that Mr. Lucas should serve on the Board based on Mr. Lucas extensive experience in venture capital and finance, and his service on the boards and board committees of technology companies.

David K. Chao has served as a Class A Director since the consummation of our initial public offering in December 2005. Mr. Chao is a co-founder of DCM (formerly known as Doll Capital Management), a venture capital firm based in the Silicon Valley, and has been a general partner of DCM since 1996. Prior to founding DCM, Mr. Chao was a co-founder and member of the board of directors of Japan Communications, Inc. He also worked as a management consultant at McKinsey & Company and as a marketing manager at Apple Computer. Prior to these positions, he was an account executive for Recruit, a Japanese human resources, advertising and services company. Mr. Chao serves on the boards of numerous DCM portfolio companies, including 51job, Inc., where he has served since 2000. He is a management board member of the Stanford Graduate School of Business board of trustees and a member of The Thacher School board of trustees. Mr. Chao received a bachelor s degree in economics and East Asian studies from Brown University and a master s degree in business administration from Stanford University. Our Board of Directors has concluded that Mr. Chao should serve on the Board based on his experience as the co-founder and general partner of a venture capital firm, and as a former management consultant to and marketing manager of major public companies with substantial global operations. Mr. Chao brings to the Board significant senior leadership, management, operational, financial and brand management experience.

Boaz Eitan has served as a Class A Director since March 2008. Dr. Eitan founded Saifun Semiconductors Ltd. (Saifun) in 1996 and served as its Chief Executive Officer and Chairman of the Board of Directors from 1996 to 2008, when Spansion acquired Saifun. Following the acquisition, Dr. Eitan served as Executive Vice President and Chief Executive Officer, Saifun from March 2008 until March 2009 when Dr. Eitan resigned his employment with Spansion. Dr. Eitan served as our Interim President in February 2009. Since March 2009, Dr. Eitan has served as the Chairman, CEO and owner of Q-Core Medical starting in March 2009. From 1992 to 1997, Dr. Eitan managed the Israeli design center of WaferScale Integration Inc., which he established in 1992. From 1983 to 1992, Dr. Eitan held various positions at WaferScale Integration Inc., including manager of the Device Physics group, director of memory products and Vice President of Product and Technology Development.

From 1981 to 1983, Dr. Eitan served as a physicist at Intel Corporation s research and development center in Santa Clara, California. Dr. Eitan holds a Ph.D. and a M.Sc. in Applied Physics and a B.Sc. in Mathematics and Physics from the Hebrew University, Jerusalem. He is the inventor of Saifun s NROM technology. Dr. Eitan is named as the inventor of over 85 issued U.S. patents, over 45 pending U.S. patent applications and a number of issued non-U.S. patents and pending non-U.S. patent applications. Our Board of Directors has concluded that Dr. Eitan should serve on the Board based on his business and technical experience. Dr. Eitan brings to the Board significant senior leadership, management and operational experience having served as chief executive officer of a public company. Also, as the inventor of numerous issued and pending U.S. and non-U.S. patents, Dr. Eitan brings to the Board extensive industry and technical experience directly related to Spansion s semiconductor research and development and manufacturing.

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John M. Stich has served as a Class A Director since December 2006. He has served as the Honorary Consul General of Japan at Dallas since 2004. Previously, he spent 35 years at Texas Instruments, with his most recent position as Chief Marketing Officer in Japan. He lived and worked for Texas Instruments in Asia for a total of 24 years where he held various additional management positions such as Vice President of semiconductors for Texas Instruments Asia Ltd., Managing Director of Texas Instruments Hong Kong Ltd., and Marketing Director of Texas Instruments Taiwan Limited. Mr. Stich has been active in leading various industry associations, including serving as: Governor of the American Chambers of Commerce in Japan and Hong Kong, and Chairman of the Semiconductor Industry Association (Japan Chapter). Currently, he is a director of Diodes Inc., where he has served since 2000. In addition, Mr. Stich is a member of the Dallas/Taipei and Dallas/Sendai Sister City Committees, a member of the Advisory Council for Southern Methodist University s Asian Studies Program, a Director of the Japan America Society of Dallas/Fort Worth, and a member of the Consular Corps of Dallas/Fort Worth. Mr. Stich holds a bachelor s degree in electrical engineering from Marquette University. Our Board of Directors has concluded that Mr. Stich should serve on the Board based on his significant executive experience in the semiconductor industry and the Asian markets. He brings strategic, financial and operational skillsof large semiconductor organizations, particularly as it relates to Asia. Mr. Stich also brings senior leadership, industry and financial experience.

Thomas T. Eby has served as Spansion s Executive Vice President, Strategy and Communications, since April 2010. He is responsible for Spansion s strategic planning, corporate development and communications functions. From July 2009 until April 2010, Mr. Eby served as the Executive Vice President, Embedded Solutions Group. From September 2007 until July 2009, Mr. Eby served as Spansion s Executive Vice President, Consumer, Set Top Box and Industrial Division. From October 2005 until September 2007, Mr. Eby served as Spansion s Executive Vice President and Chief Marketing and Sales Officer, and from January 2005 until October 2005, he served as Spansion s Executive Vice President and Chief Marketing Officer. From July 2003 until December 2004, he was Spansion s Executive Vice President with responsibility for leading the integration of the former AMD and Fujitsu Limited assets that were contributed to Spansion LLC. Beginning in 1998, Mr. Eby served as a vice president of AMD, including roles as group vice president of AMD s Communication Group, then as the group vice president of strategy & business development for AMD and later as senior vice president. In addition, Mr. Eby held a wide range of sales and marketing positions both in the United States and Europe. Mr. Eby holds a bachelor s degree in electrical engineering and computer sciences from Princeton University.

Randy W. Furr has served as Spansion s Executive Vice President and Chief Financial Officer since June 2009. Mr. Furr has 30 years of experience in the technology sector and as an experienced financial and operations executive. Most recently, Mr. Furr held senior executive positions as Executive Vice President and Chief Financial Officer at Magellan Navigation, Inc. from August 2008 to June 2009, and as Chief Operating Officer and Chief Financial Officer at Aliph from April 2008 to August 2008. Prior to that, Mr. Furr was at Adobe Systems, Inc., where he served as Senior Vice President, Business Process Improvement from May 2007 to January 2008, as Senior Vice President and Interim Chief Information Officer from November 2006 to May 2007, and as Executive Vice President and Chief Financial Officer from May 2006 to November 2006. Before joining Adobe Systems, Inc., Mr. Furr spent 13 years at Sanmina-SCI Corporation, where he served as President and Chief Operating Officer from 1996 to 2005, and as Executive Vice President and Chief Financial Officer from 1992 to 1996. Mr. Furr holds a bachelor s degree in Business Administration from the University of Oklahoma.

Ahmed Nawaz has served as Spansion s Executive Vice President, Sales, since April 2010. He is responsible for worldwide sales functions. From July 2009 until April 2010, Mr. Nawaz served as the Executive Vice President, Worldwide Sales and Marketing. From November 2006 to July 2009, Mr. Nawaz was Spansion s Executive Vice President, Wireless Solutions Division. Prior to joining Spansion, Mr. Nawaz was an independent management consultant from January 2006 to November 2006. From March 2001 to December 2005, he was executive vice president of worldwide sales at Agere Systems. Prior to that, Mr. Nawaz was president of worldwide sales, strategy and business development, from April 2000 to March 2001, and president, integrated circuits division, from June 1998 to April 2000, of Lucent s Microelectronics and Communications Technologies Group. He joined AT&T in 1992 and moved to Lucent following its spin-off from AT&T in 1996. Mr. Nawaz also spent 14 years in various engineering, marketing and general management positions in Texas Instruments Incorporated s semiconductor group. Mr. Nawaz also serves on the board of directors of Digi International, where he has served since 2006. Mr. Nawaz holds a master s degree in electrical engineering from the University of Missouri and a master s degree in business administration from Houston Baptist University.

Each of the directors and executive officers identified above, other than Mr. Furr, served as a director or executive officer, as the case may be, at the time of the commencement of the Spansion Japan Proceeding and the Chapter 11 Cases.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our directors and executive officers (as defined under Section 16) and any persons holding more than ten percent of a registered class of equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). Their initial reports must be filed using Form 3 and they must report subsequent stock purchases, sales, option exercises and other changes using Form 4, which must be filed within two business days of most transactions. In some cases, such as changes in ownership arising from gifts and inheritances, the SEC allows delayed reporting at year-end on Form 5. Officers, directors and persons who beneficially own more than ten percent of a registered class of our equity securities are required by

SEC regulations to furnish us with copies of all reports they file pursuant to Section 16(a). We make the services of our legal department available to our officers and directors to assist them in meeting their filing obligations.

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Based solely on our review of these reports and written representations from our directors and executive officers, we believe that during fiscal 2009, each of Spansion s directors, executive officers and ten percent security-holders complied with all applicable Section 16(a) filing requirements, other than Mr. Furr, who made a late Form 3 filing due to an administrative error by Spansion.

Codes of Business Conduct and Ethics

The Board of Directors has adopted a code of conduct entitled Code of Business Conduct, which applies to all directors and employees and which was designed to help directors and employees resolve ethical and compliance issues encountered in the business environment. The Code of Business Conduct governs matters such as conflicts of interest, compliance with laws, confidentiality of company information, encouraging the reporting of any illegal or unethical behavior, fair dealing and use of company assets. The Board of Directors has also adopted a Code of Ethics for the Chief Executive Officer, the Chief Financial Officer, the Corporate Controller and All Other Senior Finance Executives. The Code of Ethics governs matters such as financial reporting, conflicts of interest and compliance with laws, rules, regulations and Spansion s policies.

Stockholders can access Spansion s Principles of Corporate Governance, Code of Business Conduct and Code of Ethics at the Investor Relations page of our website at *www.spansion.com* or by writing to us at Corporate Secretary, Spansion Inc., 915 DeGuigne Drive, P.O. Box 3453, Sunnyvale, California 94088, or emailing us at *Corporate.Secretary@spansion.com*. We will provide this information free of charge. Please note that information contained on our website is not incorporated by reference in, or considered to be a part of, this document. We will post on our website any amendment to the Code of Ethics, as well as any waivers of the Code of Ethics, that are required to be disclosed by the rules of the SEC, The NASDAQ Stock Market (Nasdaq) or the New York Stock Exchange (NYSE).

Board of Directors

Our Board of Directors currently consists of five directors and one vacancy, which was created in October 2009, when Mr. Gilles Delfassy resigned from the Board of Directors. Our Certificate of Incorporation provides that the Board of Directors consists of three classes of directors, each serving staggered three-year terms. At each annual meeting of stockholders, directors will be elected for a term of three years to succeed those directors whose terms are expiring.

Our Certificate of Incorporation also provides that the holders of Class A Common Stock, voting together as a separate class, are entitled to vote for all Class A directors. Our Class B, Class C and Class D Common Stock have been retired and no shares are outstanding. Consequently, all of our directors are Class A Directors.

Our Board of Directors is currently composed of the following classes of directors:

Class	Expiration	Member
Class II	2010	Boaz Eitan
		John M. Stich
Class III	2011	John H. Kispert
Class I	2012	David K. Chao
		Donald L. Lucas

Board Leadership Structure

Currently, Mr. Kispert serves as President and Chief Executive Officer and Mr. Lucas, an independent director, serves as Chairman of the Board of Directors. The Board believes that Spansion and its stakeholders are best served at this time by this leadership structure because it is valuable to have strong independent leadership to assist the Board in fulfilling its role of overseeing the management of Spansion and its risk management practices, separate from the CEO. However, the Principles of Corporate Governance permit the roles of the Chairman and the CEO to be filled by the same or different individuals. This provides the Board with flexibility to determine whether the two roles should be combined in the future based on Spansion s needs and the Board s assessment of Spansion s leadership from time to time. The Principles of Corporate Governance provide for a lead independent director if the roles are combined.

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Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Mr. Lucas, as Chair, and Mr. Stich, each of whom was determined by the Board of Directors to be independent in accordance with Nasdaq and NYSE rules. The Nominating and Corporate Governance Committee assists the Board with its oversight responsibilities regarding the identification of qualified candidates to become Board members, the selection of nominees for election as directors at the next Annual Meeting of Stockholders (or special meeting of stockholders at which directors are to be elected), the selection of candidates to fill any vacancies on the Board, the selection of Board members for each committee of the Board, the development and recommendation to the Board of a set of applicable corporate governance guidelines and principles and oversight of the evaluation of the Board. In seeking candidates to determine if they are qualified to become Board members, the Nominating and Corporate Governance Committee looks for the following attributes, which, among others, the Nominating and Corporate Governance Committee deems appropriate: personal and professional integrity, ethics and values; experience in corporate management, such as serving as an officer or former officer of a publicly held company; experience serving as a director of a privately or publicly held company; experience in our industry and with relevant social policy concerns; ability to make independent analytical inquiries; academic expertise in an area of our operations; and practical and mature business judgment. The Nominating and Corporate Governance Committee has established minimum criteria for evaluating prospective director candidates. In addition, the Nominating and Corporate Governance Committee considers a number of other factors, including whether the prospective director nominee will foster a diversity of skills and experiences and will add to or complement the Board s existing strengths. The Nominating and Corporate Governance Committee will use the same standards to evaluate all director candidates, whether or not the candidates are proposed by stockholders. There has been no material changes to the process by which stockholders can nominate directors for election to the Board.

Audit Committee

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, currently consists of Mr. John M. Stich, as Chair, and David K. Chao, each of whom was determined by the Board of Directors to be financially literate and independent as such term is defined for Audit Committee members by Nasdaq and NYSE listing standards. Mr. Delfassy served as a member of the Audit Committee until he resigned from the Board of Directors in October 2009. No current member of the Audit Committee has been designated an audit committee financial expert by the Board of Directors. The Board believes that each of the members of the Audit Committee are financially literate and that at least one of the members of the Audit Committee qualifies as a financial expert, as defined by the rules and regulations of the SEC. However, the Board has elected to defer the formal designation of a financial expert pending the expected reconstitution of the Board of Directors following confirmation of the Plan of Reorganization by the U.S. Bankruptcy Court.

The Audit Committee assists the Board with its oversight responsibilities regarding our accounting and financial reporting processes, the audit of our financial statements, the integrity of our financial statements, our internal accounting and financial controls, our compliance with legal and regulatory requirements, the independent registered public accounting firm s qualifications and independence and the performance of our internal audit function and the independent registered public accounting firm. The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm, which reports directly to the Audit Committee. The Audit Committee meets alone with our financial and legal personnel, our internal auditor and with our independent registered public accounting firm, who have free access to the Audit Committee at any time. The director of our Internal Audit Department reports directly to the Chair of the Audit Committee, confers regularly with our Chief Financial Officer and serves a staff function for the Audit Committee.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis presents material information necessary to understand the objectives and policies of our compensation program for executive officers. Throughout this discussion, those individuals named in the Fiscal 2009 Summary Compensation Table beginning on page 17 are referred to as the Named Executive Officers and the Compensation Committee of the Board of Directors is referred to as the Committee.

Challenges for 2009

Beginning in the third quarter of 2008, Spansion implemented a series of significant cash management measures in response to the severe economic downturn that was occurring. Spansion continued implementing these cash management measures throughout 2009. On March 1, 2009, Spansion Inc. and several of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the Chapter 11 Cases). The Chapter 11 Cases and the cash management measures have affected the way in which we have compensated employees, including our Named Executive Officers. In January 2009, the Committee approved management s recommendation for Spansion to forego annual merit salary increases and stock awards for fiscal 2009 for all employees, including the Named Executive Officers. In connection with the Chapter 11 Cases, we filed a Plan of Reorganization with the U.S. Bankruptcy Court. On April 16, 2010, the U.S. Bankruptcy Court confirmed the Plan of Reorganization. Under the Plan of Reorganization, all of our existing equity securities, including all shares of our Class A Common Stock and stock option awards to purchase shares of our Class A Common Stock will be cancelled upon our emergence from the Chapter 11 Cases.

In 2009, there were some significant changes in the employment of our Named Executive Officers. In February 2009, Dr. Bertrand F. Cambou, formerly the President and Chief Executive Officer of Spansion, resigned from his position. Following Dr. Cambou s resignation, Dr. Boaz Eitan, who was an Executive Vice President and member of the Board of Directors, briefly served as Interim President until the appointment of Mr. John H. Kispert as our new President and Chief Executive Officer. Dr. Eitan continues to serve as a member of the Board of Directors. In addition, in April 2009, Mr. Dario Sacomani resigned as Executive Vice President and Chief Financial Officer and took a personal leave of absence. Following Mr. Sacomani s resignation in April 2009, Ms. Thora Thoroddsen was appointed as our Interim Chief Financial Officer as a consultant. Ms. Thoroddsen resigned after a two week period due to an ongoing pre-existing business relationship between Ernst & Young LLP, our independent registered public accountants, and Brincko Associates, the consulting firm through which Ms. Thoroddsen was engaged. Ms. Thoroddsen continues to serve as a consultant to Spansion. Upon Ms. Thoroddsen s resignation, Mr. Kispert served as Interim Chief Financial Officer until later in April 2009 when Mr. Nathan M. Sarkisian was appointed as Interim Chief Financial Officer as a consultant. Mr. Sarkisian served until June 2009 when Mr. Randy W. Furr was hired as our new Executive Vice President and Chief Financial Officer. Mr. Sarkisian continues to serve as a consultant to Spansion. All employment-related agreements with the Named Executive Officers are described below.

Roles and Responsibilities

The role of the Committee is to oversee Spansion s compensation strategies and programs for our executive officers, including total compensation for the Named Executive Officers. The role of Spansion s management is to review Spansion s executive compensation programs, policies and governance and make recommendations regarding these matters. Management is responsible for, among other things:

- Reviewing the effectiveness of the compensation programs, including competitiveness and alignment with Spansion s objectives;
- Recommending changes to compensation programs, as may be required, to ensure achievement of all program objectives; and
- Recommending salaries, bonuses and other awards for Named Executive Officers other than the Chief Executive Officer.

The Committee is authorized to engage its own independent advisors to provide advice on matters related to executive compensation and general compensation programs. In August 2008, the Committee engaged Compensia, Inc. (Compensia) as its independent compensation consultant to provide data and expertise related to the composition of the group of publicly traded semiconductor industry companies with which we compete for talent (collectively, the Compensation Peer Group). At the Committee s request, Compensia attended the Committee s September 2008 meeting in which the 2009 Compensation Peer Group was determined (the Initial Compensation Peer Group). In April 2009, in light of the Chapter 11 Cases and Spansion s changed business operations, Spansion engaged Watson Wyatt Worldwide, Inc. to provide advice to the Committee and management with regard to, among other things, compensation programs and the composition of a new 2009 Compensation Peer Group (the Final Compensation Peer Group).

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All other analyses related to executive compensation were conducted internally, relying primarily on data from Radford Associates, which provides compensation and benefits data specializing in the high technology sector and Equilar, Inc., which provides executive compensation information based on publicly available information contained in SEC filings**.** Internal analyses included gathering and analyzing data, and reviewing and advising on principal aspects of executive compensation. Base salaries and bonuses for executive officers were among the items reviewed.

Compensation Program Philosophy and Objectives

Spansion has a market-based, pay for performance compensation philosophy that is designed to both attract and retain talented Named Executive Officers while supporting our business strategy. In line with that philosophy, a significant percentage of the total potential compensation for the Named Executive Officers is performance-based. We do not have a pre-established policy or target for allocating between cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee periodically reviews relevant market data to determine the appropriate components of, and level for, the Named Executive Officers compensation.

The compensation program for the Named Executive Officers is designed to:

- Recognize and reward executives for achieving both company and individual performance objectives in support of Spansion s business strategy;
- Provide competitive pay opportunities relative to the Compensation Peer Group;
- Align the respective interests of the Named Executive Officers and our stockholders through compensation that varies based on achievement of financial objectives; and
- Maintain flexible pay programs that can be modified to respond to changes in competitive trends and Spansion s business strategy and financial position.

We anticipate implementing new compensation programs following Spansion s emergence from the Chapter 11 Cases.

Setting Compensation

Generally, we set compensation for the Named Executive Officers in the same manner used to set compensation for our other executive officers. Details regarding the specific compensation for each of our Named Executive Officers are set forth in the Fiscal 2009 Summary Compensation Table beginning on page 17.

Competitive Market Data

In September 2008, based on the review and recommendations presented by Compensia, and in consultation with Compensia, the Committee reviewed and approved the Initial Compensation Peer Group to be used for benchmarking and for setting executive compensation for fiscal 2009. The Committee considered companies within the semiconductor industry that have revenue, net income, number of employees, market capitalization, location and scope of international operations similar to our corresponding components. The Committee will continue to periodically review and update the Compensation Peer Group, as appropriate.

Based on the cited criteria, including a significant drop in Spansion s market capitalization, ten companies (Altera Corporation; Analog Devices, Inc.; Juniper Networks, Inc.; KLA-Tencor Corporation; Lam Research Corporation; Linear Technology Corporation; Maxim Integrated Products, Inc.; Novellus Systems, Inc.; NVIDIA Corporation; and Xilinx, Inc.) were removed from our 2008 Compensation Peer Group, and seven companies (Conexant Systems, Inc.; Integrated Device Technology, Inc.; Micron Technology, Inc.; RF Micro Devices, Inc.; Skyworks Solutions, Inc.; SMART Modular Technologies, Inc.; and Vishay Intertechnology, Inc.) were added to the group. The Initial Compensation Peer Group established in September 2008 for fiscal 2009 is as follows:

Amkor Technology, Inc.	Integrated Device Technology, Inc.	RF Micro Devices, Inc.
Atmel Corporation	LSI Corporation	SanDisk Corporation
Conexant Systems, Inc.	Micron Technology, Inc.	Skyworks Solutions, Inc.
Cypress Semiconductor Corporation	National Semiconductor Corporation	SMART Modular Technologies, Inc.
Fairchild Semiconductor Corporation	ON Semiconductor	Vishay Intertechnology, Inc.

As a result of Spansion s changed business circumstances during the Chapter 11 Cases, in June 2009, the Committee reevaluated the Initial Compensation Peer Group. Taking into consideration advice from Watson Wyatt, Spansion s lower revenue, net income and market capitalization, and Spansion s smaller number of employees and anticipated geographical footprint, seven companies (Amkor Technology, Inc.; Conexant Systems, Inc.; LSI Corporation, ON Semiconductor Corp.; RF Micro Devices, Inc.; SMART Modular Technologies, Inc.; and Vishay Intertechnology, Inc.) were removed from our prior Compensation Peer Group, and four companies (Altera Corporation, International Rectifier Corporation, Intersil Corporation, and Numonyx B.V.) were added to the group. The Committee established the Final Compensation Peer Group as follows:

Altera Corporation	Integrated Device Technology, Inc.	National Semiconductor Corp.
Atmel Corporation	International Rectifier Corporation	Numonyx B.V.
Cypress Semiconductor Corporation	Intersil Corporation	SanDisk Corporation
Fairchild Semiconductor Corporation	Micron Technology	Skyworks Solutions, Inc.

Market Positioning

Total compensation for the Named Executive Officers, taking into consideration the market data for base salary, bonus and equity awards, has historically been referenced between the 50th and 60th percentiles for compensation paid to similarly situated executives in the Compensation Peer Group. We set these reference points slightly higher than the median compensation of executives in the Compensation Peer Group to better position Spansion to attract and retain highly qualified executive officers. Actual compensation may vary within a reasonable range of these reference points based on additional factors, including current market conditions. As part of our annual compensation review process for 2009, total compensation reference points were adjusted for the Named Executive Officers based on data for the Initial Compensation Peer Group. In the case of Messrs. Nawaz and Eby, reference points were derived using aggregated market data from a group of high technology companies (including the Initial Compensation Peer Group) because insufficient data was available for the Initial Compensation Peer Group. Largely as a result of the significant change to the Initial Compensation Peer Group as compared to the 2008 Compensation Peer Group, the market comparisons for base salary, total cash (calculated as base salary plus bonus) and total direct compensation (calculated as base salary plus bonus plus equity award) were modified for the Named Executive Officers. Base salary reference points were reduced for Dr. Cambou and Messrs. Sacomani, Nawaz and Eby and, in addition, the total direct compensation reference points were reduced for Dr. Cambou and Mr. Sacomani. Total compensation reference points for Messrs. Nawaz and Eby increased, largely based on the use of the aggregated market data from high technology companies and their respective positions and responsibilities at the time of the review. In January 2009, in light of the Chapter 11 Cases and macroeconomic conditions, the Committee approved management s recommendation for Spansion to not implement annual merit salary increases and stock awards for fiscal 2009 for all employees, including the Named Executive Officers. As discussed below under the heading Compensation Review, market data is just one consideration in setting actual compensation for our Named Executive Officers.

Our incentive compensation, including cash and equity, is structured so that when our corporate performance meets or exceeds our established objectives Named Executive Officers have an opportunity to receive incentive compensation equal to or greater than comparable market targets. When our corporate performance does not meet our established objectives, Named Executive Officers receive incentive compensation that is generally below comparable market targets.

For fiscal 2009, total direct compensation for our Named Executive Officers was well below our collective compensation reference points, primarily because below-target short term incentives (if any) were paid and Spansion s stock value declined considerably more than the stock value of our Compensation Peer Group, resulting in below-market long-term incentive compensation.

Performance Evaluations

We generally conduct annual performance evaluations of all Spansion employees, including our Named Executive Officers. As part of the evaluation of Named Executive Officers, we consider a number of performance criteria, including among other things, each Named Executive Officer s ability to:

- Meet specific performance objectives;
- Set the strategy and direction of his organization, consistent with Spansion s overall objectives; and
- Effectively lead his or her organization.

The Chief Executive Officer evaluates the performance of each of the other Named Executive Officers, and presents the evaluations to the Committee for review and approval. The Committee performs an independent evaluation of the Chief Executive Officer s performance. Due in large part to the Chapter 11 Cases and the Committee s decision in January 2009 to not implement annual merit salary increases or grant equity awards for any Spansion employees, including the Named Executive Officers, formal performance evaluations were not conducted for the

Named Executive Officers during fiscal 2009.

Compensation Review

In preparation for decisions regarding compensation actions for each of the Named Executive Officers for the upcoming year, the Committee generally reviews tally sheets that reflect total current compensation, equity awards (vested and unvested) and benefits information. In addition, the Committee considers each Named Executive Officer s performance, contributions, role and responsibilities, leadership abilities, growth potential and compensation relative to peers within Spansion. The Committee also considers the competitive market for comparable executives in the Compensation Peer Group. Following this review, the Committee sets the compensation for the Chief Executive Officer and for the other Named Executive Officers, taking into consideration the Chief Executive Officer s compensation recommendations for each of the other Named Executive Officers.

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2009 Executive Compensation Components

Spansion seeks to achieve the compensation program objectives, as provided in the Compensation Program Philosophy and Objectives section above through five principal compensation components:

- Base salary;
- Short-term performance-based incentive compensation;
- Long-term equity-based incentive compensation;
- Change of control agreements; and
- Benefits and perquisites.

Spansion s total rewards program was modified significantly in 2009 to address changes in the economy and business operations, including the Chapter 11 Cases. Some highlights of these changes are as follows:

- Reduced base salaries for the Named Executive Officers in October 2008, some of which were reinstated in February 2009 and later reduced in October 2009;
- Eliminated the U.S. executive car allowance and financial planning perquisites in February 2009;
- Suspended the 401(k) match for all eligible employees, including the Named Executive Officers, in February 2009;
- Canceled broad-based short-term performance-based incentive plan payments for all employees for 2009;
- Canceled broad-based merit salary increases and annual stock awards in 2009; and
- Implemented a Key Employee Incentive Plan (KEIP) for eight key employees, including Messrs. Furr, Eby, Nawaz and Manocha, to maximize the prospects for a successful conclusion to the Chapter 11 Cases.

The details of Spansion s practices with respect to each of the components of the total rewards program, including the modifications highlighted above, are set forth below.

Base Salary

Spansion provides base salaries to compensate Named Executive Officers for services performed during the fiscal year. Each executive officer s salary is intended to reflect the individual s job responsibilities and value to Spansion in terms of expertise and performance, taking into account competitive market data and internal pay relationships. For our Named Executive Officers, generally, base salaries were targeted at the 60th percentile of base salaries paid to similarly situated individuals in the Compensation Peer Group.

Base salaries for the Named Executive Officers are evaluated on an annual basis using the criteria described above. Following cost-cutting measures taken in October 2008, annual base salaries were reduced for each of the then-active Named Executive Officers (Messrs. Cambou, Eitan, Sacomani, Manocha, Eby and Nawaz). The base salary for the CEO was reduced by twenty percent, while base salaries for the other Named Executive Officers (and other executive officers) were reduced by ten percent. There was no corresponding reduction in work for the Named Executive Officers. None of our Named Executive Officers were eligible for annual merit salary increases during 2009.

Effective February 9, 2009, the Board of Directors approved an employee retention program that provided for, among other things, the reinstatement of full salary for the Named Executive Officers (other than the Chief Executive Officer) and certain other key employees. The purpose of the employee retention program was to provide an incentive for the Named Executive Officers and certain other key employees to remain employed with us during the reorganization in 2009. On October 8, 2009, following a review of updated market data from the Final Compensation Peer Group, the Committee approved a proposal made by Spansion s President and Chief Executive Officer to implement a ten percent reduction in the base salary of the President and Chief Executive Officer and certain of the other currently employed Named Executive Officers effective as of October 19, 2009. Messrs. Kispert, Nawaz, Eby and Manocha each received a ten percent base salary reduction. Mr. Furr did not receive a ten percent reduction in his base salary because he had recently joined Spansion, and Ms. Thoroddsen and Mr. Sarkisian did not receive reductions in their respective salaries because they were engaged by Spansion through consulting arrangements. Mr. Sacomani did not receive a reduction in base salary because of his personal leave agreement. The annualized base salaries as of the end of fiscal 2008, February 9, 2009 and October 19, 2009 for each of our Named Executive Officers, if employed by Spansion on those dates, are as follows:

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Name[1]	Base Salary as of December 28, 2008	Base Salary as of February 9, 2009	Base Salary as of October 19, 2009
John H. Kispert	N/A	$ 900,000	$ 810,000
Boaz Eitan[2]	$ 244,695	$ 271,884	N/A
Bertrand F. Cambou	$ 601,020	N/A	N/A
Randy W. Furr	N/A	N/A	$ 440,000
Dario Sacomani	$ 400,950	$ 445,500	$ 445,500
Ahmed Nawaz	$ 409,275	$ 454,750	$ 409,275
Thomas T. Eby	$ 396,309	$ 440,343	$ 396,309
Ajit Manocha	$ 382,500	$ 425,000	$ 382,500

(1) Ms. Thoroddsen and Mr. Sarkisian are not included in this table because they were paid under consulting agreements.
(2) Dr. Eitan s salary was reinstated effective February 25, 2009. The amounts reflect Israel shekels converted to U.S. dollars at an exchange rate of 3.793 shekels per dollar as of December 27, 2009.

Short-Term Performance-Based Incentive Compensation

Historically, the Named Executive Officers had an opportunity to earn annual cash awards under a short-term performance-based incentive compensation plan (the STIP) designed to compensate them for the achievement of pre-determined annual corporate objectives and individual objectives that correlate closely with the corporate objectives. The STIP was canceled for 2009. However, in July 2009 the Committee recommended and the U.S. Bankruptcy Court approved an interim incentive plan for key employees to maximize the prospect for a successful conclusion to the Chapter 11 Cases. The Key Employee Incentive Plan (KEIP) provides an incentive for eight key executives, including four Named Executive Officers (Messrs. Furr, Eby, Nawaz and Manocha), for the achievement of specific cash and profit metrics related to our emergence from the Chapter 11 Cases. The objectives for each metric were set at performance levels that we believed would be very difficult to achieve and were approved by Spansion s creditors. The KEIP performance metrics are as follows:

Milestone 1 (measured October 1, 2009 for the prior two fiscal quarters):

Achieve a minimum corporate cash balance of $176 million; and

Achieve minimum adjusted EBITDA of $99 million.

Milestone 2 (measured April 1, 2010 for the four prior fiscal quarters):

Achieve minimum adjusted EBITDA of $212 million.

For KEIP purposes, adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, adjusted for (i) any cost identified as bankruptcy or restructuring related including asset impairment, (ii) payments, expenses and settlement costs related to Spansion s Japanese subsidiaries, and (iii) expenses or credits recorded on unconventional line items in GAAP Operating Income due to unforeseen accounting situations.

The total KEIP award opportunity for our eligible Named Executive Officers was 70 percent of their June 30, 2009 annual base salary, with a maximum opportunity of 100 percent of base salary. Because Mr. Furr was not an employee of Spansion for the entire period, his opportunity was calculated using 75 percent of his annual base salary. Actual awards were determined as follows:

Milestone 1: Payment of 17.5 percent of base salary would be made for each of the two metrics assuming the minimum level of performance was achieved, for a total award opportunity of 35 percent of base salary for Milestone 1. No award would be paid for a metric if achievement for that metric was below the minimum objective. No additional amount would be paid if the metrics were exceeded. Payment would be made as soon as possible following the close of the quarter and assessment of Spansion s performance.

Milestone 2: Payment of 35 percent of base salary would be made if the minimum performance is achieved. For EBITDA performance between $212 million and $265 million, an upside award of up to 30% of salary would be earned with the amount of additional award earned calculated using straight line interpolation. Payment would be made on the later of April 1, 2010 or 30 days following confirmation of the Plan of Reorganization.

No awards would be paid if Spansion did not achieve the minimum performance objectives for at least one of the metrics. Spansion exceeded the minimum performance objectives for Milestone 1, achieving a cash balance of $264 million and adjusted EBITDA of $126 million at October 1, 2009. The eligible Named Executive Officers were paid 35 percent of their respective annual base salaries on October 30, 2009. Performance against the objectives for Milestone 2 are currently being assessed. We expect to achieve between target and maximum adjusted EBITDA, which would result in a payment between 35 and 65 percent of each eligible Named Executive Officer s annual base salary. Since the Plan of Reorganization was confirmed by the U.S. Bankruptcy Court on April 16, 2010, we expect payment to be made to the Named Executive Officers on or about May 16, 2010.

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The table below describes for each eligible Named Executive Officer the target percentage of base salary, target amount attainable, award amount and award as a percent of base salary for that portion of the KEIP that was earned in fiscal 2009 for Milestone 1:

Named Executive Officer	Target Percent of Base Salary	Target Award Amount	Award as Percent of Base Salary	Actual Award Amount
Randy W. Furr[(1)]	35%	$ 115,500	35%	$ 115,500
Ahmed Nawaz	35%	$ 159,163	35%	$ 159,163
Thomas T. Eby	35%	$ 154,120	35%	$ 154,120
Ajit Manocha	35%			