

This presentation was created by CypressFirst to be used as a resource for and in conversations with Cypress Semiconductor stockholders.



“Do What’s Right For Cypress” (No. 2)

(A Cypress Core Value)

Two Candidates With Exceptional Qualifications are
Nominated for the Cypress Board of Directors

May 3, 2017

Disclaimer

T.J. Rodgers is the founding CEO of the Company. Rodgers, J. Daniel McCranie and Camillo Martino may be deemed to be participants in the solicitation of proxies from stockholders in connection with the 2017 Annual Meeting of Stockholders (the “Annual Meeting”) of the Company. Rodgers, McCranie and Martino have filed a definitive proxy statement (the “CypressFirst Proxy Statement”) and accompanying GOLD proxy card with the Securities and Exchange Commission (the “SEC”) in connection with his solicitation of proxies for the Annual Meeting. Rodgers owns or controls voting of 8,727,619 shares of the Company’s common stock. McCranie and Martino own 25,000 and 10,000 shares, respectively, of the Company’s common stock. Additional information regarding such participants, including their direct or indirect interests, by security holdings or otherwise, are included in the CypressFirst Proxy Statement and may be included in other relevant documents to be filed with the SEC in connection with the Annual Meeting.

Rodgers, McCranie and Martino have mailed the definitive CypressFirst Proxy Statement and a GOLD proxy card pursuant to applicable SEC rules. STOCKHOLDERS ARE URGED TO READ THE CYPRESSFIRST PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS THAT RODGERS, MCCRANIE AND MARTINO HAVE FILED OR WILL FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Stockholders may obtain, free of charge, copies of the definitive CypressFirst Proxy Statement and any other related documents filed by CypressFirst with respect to the Company with the SEC in connection with the Annual Meeting at the SEC’s website (<http://www.sec.gov>). In addition, copies of such materials, when available, may be requested free of charge from MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016 or toll-free at (800) 322-2885 or by email: CypressFirst@mackenziepartners.com.

Why Cypress Needs Two New Directors

- Well **over half of Cypress's current revenue** comes from **M&A**, which has always been **critical** to Cypress
- Since at least November 2016, Cypress has been forced to compete in the M&A market against **Canyon Bridge Capital Partners**, a new private equity (PE) firm that 1) acquires semiconductor companies, 2) has been funded with \$1.5 billion by the Chinese government*, and 3) is managed and **privately owned by "Founding Partners" Ray Bingham**, Benjamin Chow and Hong John Kao
- It is apparent that Canyon Bridge Management Corp., which has just three owners, including Mr. Bingham, has already been paid **\$36 million** in "management fees" since October 2016* (see page 10)
- Mr. Bingham also holds the position of **executive chairman at Cypress**. This "dual-hat" employment is a **structural conflict of interest**, as is clearly defined by the **Cypress Code of Business Conduct and Ethics**:
"It is a conflict of interest to serve as a director of any company that competes with the Company [Cypress]"
- **Cypress should not be forced to compete with its own executive chairman in the M&A market**
- Ray Bingham's new executive chairman position was sold to the Board last August as a "**temporary position**" to "**mentor Hassane El-Khoury**," the new CEO, who is doing well and no longer needs an executive chairman mentor, which would save Cypress about \$2.4 million per year
- For his **part-time mentoring job** at Cypress, Mr. Bingham receives **\$877,500** in annual salary plus target bonus, as well as having been granted **\$4.5 million** in restricted stock units (RSUs)
 - The RSUs vest over **three years**—hardly a "temporary timeframe"
 - The RSUs vest with **no performance criteria**, unlike those of every other Cypress executive
- We sent two **confidential letters** to Cypress in December 2016 in an attempt to get the Board to address Mr. Bingham's conflict of interest and gross overcompensation problems, but the **Board** and **Lead Independent Director, Eric Benhamou**, ignored the letters and have yet to address the underlying issues, other than to deny that they exist

Why Cypress Needs Two New Directors

- Consequently, we were forced to file a **“DE220” lawsuit**, a legal process used in the Delaware Court of Chancery to compel the Cypress Board to disclose “books and records” related to Mr. Bingham’s conflict of interest
- The Cypress **Board litigated vigorously** in the DE220 lawsuit to prevent its data on the conflict of interest from seeing the light of day, but we **won the Delaware lawsuit** and have just started to receive Cypress “books and records”
- The Cypress Board recently filed Proxy Materials for the election of directors at the June 8 Cypress Annual Meeting. They are full of **inaccuracies and gross omissions**, including the failure to even acknowledge the findings of the Delaware Court of Chancery
- We have therefore been forced to file a **second lawsuit in Delaware** to compel the Cypress Board to meet its **“Duty of Candor”** under Delaware law to provide accurate and complete Proxy Materials to stockholders
- Our measured and modest proposed solution to the Cypress Board’s problems of overcompensation and conflict of interest problems is to seat **two new exceptional directors** (of seven) to address those problems privately, so we can end the litigation
- Our candidates, **J. Daniel McCranie** and **Camillo Martino**, both have **superior qualifications** to those of the current Cypress directors, as is clearly demonstrated on the candidate qualification chart on the next page
- Cypress continues to suffer from **low gross margins** (dropping to 39.3% in Q1’17 from 40.1% in Q4’16) that keep the company from engaging in critical M&A activities. Both of our candidates have the operating experience to effectively **mentor the new CEO** in this area and will do so **without any additional compensation**
- Settlement offer: **If our candidates are seated** under acceptable terms on the Cypress Board with **appropriate committee assignments, we will drop our lawsuits** and trust to the integrity of our candidates to solve the governance problems
- The offer above is our **minimum requirement**. It falls well short of our **end goal**, which is to **eliminate gross governance problems** at Cypress.

Our Candidates Are Better Qualified

	Non-Cypress Semiconductor Experience			Electrical Engineering Degrees	Industry Focus
	CEO	Public Boards	Operations		
Nominees:	2x	3	12	2	2
McCranie, J. Daniel	✓✓	✓✓✓ ✓✓✓ ✓✓✓	✓	✓	Semiconductor
Martino, Camillo	✓	✓✓✓	✓	✓	Semiconductor
Current Directors:	7x	1	6	1	2
Albrecht, W. Steve	x	x	x	x	Accounting
Benhamou, Eric A.	x	x	x	✓	Communications
Bingham, Ray	x	✓✓✓	x	x	Software
El-Khoury, Hassane	x	x	x	✓	Semiconductor
Kwon, O.C.	✓	✓✓	✓	x	Semiconductor
Van Den Hoek, Wilbert	x	x	x	x	Semiconductor Equipment
Wishart, Michael S.	x	✓	x	x	Investment Banking

CypressFirst Nominee – Camillo Martino

Camillo Martino



Operating Experience – 30 years in Tech Industry

- **CEO: Silicon Image** 2010-2015
- **COO: SAI Technology** 2008-2009
- **CEO: Cornice, Inc** 2005-2007
- **COO: Zoran** 2001-2005
- **Marketing & International Experience @ National Semiconductor** 1987-2000
 - North America, Business Unit Director 1997-2000
 - Tokyo, Business Unit Director 1991-1996
 - Hong Kong, Marketing 1990-1991
 - Australia, Technical Applications 1987-1990

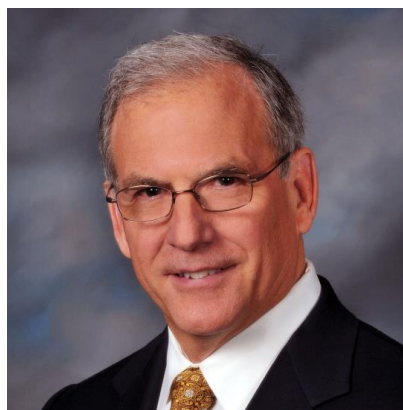
Board Experience – 3 Public Boards (2 current), 3 Private Boards

- **Board of Directors: MagnaChip Semiconductor** 2016-present
- **Board of Directors: MosChip** 2017-present
- **Board of Directors: VVDN Technologies (Private)** 2016-present
- **Board Vice Chairman: SAI Technology (Private)** 2015-present
- **Board of Directors: Silicon Image, Inc.** 2010-2015
- **Board of Directors: SAI Technology, Inc.** 2007-2010
- **Board of Directors: Cornice (Private)** 2005-2007

- Career semiconductor industry executive, focusing on corporate operations and international marketing
- Age: 55
- Education: B.App.Sc. (in Elec. Engineering), Melbourne Univ, 1983, & Grad Dip. (in Digital Comm.), Monash Univ. 1987
- Full CV, page A1

CypressFirst Nominee – J. Daniel “Dan” McCranie

J. Daniel McCranie



Operating Experience—50 years in Tech Industry

- **CEO:** ♦ SEEQ Technology (SEEQ) 1986-1993 ♦ Virage Logic (VIRL) 2006-2010
- **EVP Sales and Marketing:** ♦ Cypress Semiconductor 1994-2001 and 2014-2015 ♦ SEEQ Technology 1981-1986 ♦ Harris Corporation 1980-1981
- **Design / Technical Sales Management:** ♦ AMD ♦ AMI ♦ Signetics ♦ Digital Development ♦ General Dynamics ♦ Pan American World Airways

Board Experience – 10 Public Boards

COMPANY / DATES				CHAIR		COMMITTEES					SPECIAL ACTIONS			FINANCIALS FROM SALE (\$M)		
COMPANY	START DATE	YEARS OF SERVICE		CHAIRMAN	EXEC CHAIR	COMP CMTE	AUDIT CMTE	CG&N CMTE	EXEC CMTE	OTHER CMTE	REPLACE CEO	LARGE ACQUISITION	SALE OF COMPANY	MKT CAP AT START	MKT CAP AT SALE	PERCENTAGE GAIN
MENTOR GRAPHICS	MENT	2012	5			✓		✓					✓	\$1,600	\$4,500	181%
FREESCALE CORP	FSL	2011	3	✓						✓	✓✓					
CYPRESS SEMI	CY	2005	9				✓	✓		✓		✓				
ACTEL CORP	ACTL	2004	6	✓		✓	✓		✓				✓✓	\$210	\$430	105%
VIRAGE LOGIC	VIRL	2003	7	✓	✓	✓	✓	✓	✓		✓✓	✓✓	✓✓	\$180	\$330	83%
ASAT HOLDINGS	ASTT	2002	2			✓	✓				✓					
ON SEMICONDUCTOR	ON	2001	16	✓	✓	✓	✓	✓	✓	✓	✓✓	✓				
XICOR CORP	XICO	2000	4	✓	✓	✓	✓	✓	✓		✓✓		✓✓	\$40	\$530	1225%
CALIFORNIA MICRO	CAMD	2000	4			✓	✓				✓					
SEEQ TECHNOLOGY	SEEQ	1986	8	✓		✓	✓		✓							
TOTAL YEARS OF BOARD SERVICE				64		TOTAL COMMITTEE ROLES					29					
TOTAL NUMBER OF BOARDS SERVED				10		TOTAL CEO REPLACEMENT					6					
TOTAL NUMBER OF CHAIR POSITIONS				6		TOTAL LARGE ACQUISITIONS					3					
TOTAL NUMBER OF EXEC CHAIR ROLES				3		TOTAL SALE OF COMPANY ACTION					4					

NOTE: If a double check (✓✓) appears in box, then McCranie led the special action

- Senior semiconductor industry executive, skilled in electronic systems design, marketing, sales and management
- Over 14 years direct experience with Cypress as operating executive and board member
- Age: 73
- Education: BSEE Virginia Tech, 1966
- Full CV, page A2

CypressFirst Nominator – T.J. Rodgers

T.J. Rodgers



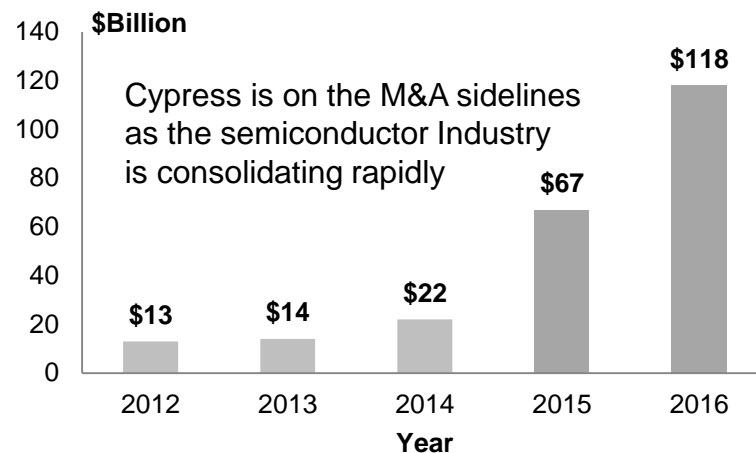
Founding CEO of Cypress Semiconductor in 1982. Served as the Company's President and CEO until April 2016. Rodgers is the largest non-institutional Cypress stockholder controlling the vote of an aggregate of 8.7 million shares of common stock. Full CV on page A3.

- Founding CEO, Cypress Semiconductor 1982-2016
- Cypress **financial** summary 12/81-4/16: **\$4.1 billion positive cashflow**
 - Took **startup to \$1.8 billion** in revenue
 - Achieved world No. 1 rank: SRAMs, NOR Flash memories
 - **Raised funding of \$4.4 billion** (\$40M venture, \$118M IPO & stock sales, \$4.23B convertible/debt)
 - **Returned capital of \$8.5 billion** (\$4.00B stock repurchase, \$1.48B debt repayment, \$425M cash dividends, \$2.60B SunPower spinout)
- Cypress **organizational** summary: **built a 6,000-person worldwide organization**
 - 4/83, \$7.5 million, **Round A**→(25 months)→**IPO**: \$70 million, 5/86
 - **32 acquisitions**. Revenue: \$9.7 million, Q1'86 →\$450 million, Q1'16
 - **Sunpower**: acquired 2002, spun out to stockholders 2008 (**\$2.6 billion**)
 - **Built the infrastructure now dubbed "Cypress 3.0"**:
 - Automotive (started automotive business unit, hired El-Khoury, Fujitsu acquisition, Spansion merger)
 - Communications (Broadcom IoT group acquisition)
 - USB Type-C (three USB acquisitions)
 - Hired hundreds of software and applications engineers
 - Created Programmable System on Chip (PSoC), internal startup
 - Named Hassane El-Khoury as successor
- Board of Directors: Water Bit (precision agriculture), Enphase (solar electronics), Enovix (silicon-lithium ion batteries), Bloom Energy (fuel cells). Rodgers has no interest in returning to management at Cypress
- **PhD** Solid State Electronics, **Stanford** University 1975
- **BA** Physics and Chemistry, Salutatorian, **Dartmouth** College 1970

M&A Is Mission-Critical to Cypress

- The semiconductor industry is consolidating rapidly. In 2016 alone, the total value of M&A deals climbed to **\$118 billion**, more than the previous four years combined. This situation is reminiscent of the U.S. automotive industry in the early 1900s when over 100 car companies consolidated into the **Big Three**
- Cypress has **acquired 32 companies**—about one per year for three decades—to grow revenue and to offset the market decline of its two founding memory businesses, SRAM and Flash
- Businesses acquired through **M&A** activity now account for **well over half** of the revenue of Cypress
- Cypress's Q4'16 and Q1'17 reports tout "**Cypress 3.0**" successes in several attractive markets—all dependent on M&A:
 - Automotive: Fujitsu acquisition, Spansion merger
 - Communications: Broadcom IoT group acquisition
 - USB Type-C: three "tuck-in" USB acquisitions
- **Cypress is stalled in M&A** by two problems:
 - **Chinese entry** in semiconductor M&A, including that of Canyon Bridge
 - **M&A funding stall** due to the chronic low gross margin problem

Semiconductor M&A Deals



Cypress must participate in M&A in the next year, or the current window may be closed

The Canyon Bridge Conflict

- The **13th five-year plan** of the Peoples' Republic of China (PRC) calls for reducing imports of semiconductor chips by increasing indigenous production from 30% to 70% of consumption (2.3x), according to McKinsey & Co.
- A new high-tech PE firm, **Canyon Bridge**, was funded with **\$1.5 billion** by the PRC
- A letter from **20 members of Congress** (pages A4-A7) noted that Canyon Bridge is incorporated in Delaware, but funded by the PRC, and stated that:

Canyon Bridge “appears to be a legal construction intended to obfuscate the involvement of numerous PRC state-owned enterprises...”

- **New data** from an SEC filing by Canyon Bridge Management Corp.*:
 - principal place of business, **Beijing, China**
 - **owned by H. Raymond Bingham**, Benjamin Bin Chou, and Hong John Kao
 - has access to \$1.5 billion in investment funds
 - received cash in the amount of **\$6,147,541** representing **management fees** for the period from the commencement of operations to December 31, 2016
 - also **received in advance \$30,000,000 in cash** representing **management fees** related to fiscal year 2017
 - **H. Raymond Bingham**, Benjamin Chou, and Hong John Kao are also owners of **Canyon Bridge Capital Partners, LLC**, which is eligible to receive a **20% carried interest⁺** distribution
- Ray Bingham therefore has a significant financial interest in this sovereign-funded PE fund, whose first announced transaction was to acquire U.S. chipmaker, Lattice Semiconductor. Cypress engaged in a potential acquisition of Lattice on three occasions. Lattice is thus in the **same target M&A market** for both Cypress and Canyon Bridge, demonstrating a clear conflict of interest.

Mr. Bingham's conflict of interest will continue as long as he is simultaneously employed and compensated by two companies that compete with each other in semiconductor M&A.

*Quotes from SEC Form ADV Part 2 Brochure:
“Canyon Bridge Management Corp.,” 1/26/17

+Based on proceeds generated from the sale of fund investments, in an amount equal to 20% of the profits from the disposition of each portfolio investment made by the fund, after the return of invested capital and a preferred return to limited partners

The Board Has Looked the Other Way on Canyon Bridge

- Cypress's **Board-approved Code of Business Conduct and Ethics** sets forth **crystal-clear policies on conflict of interest**
 - **"Conflict of Interest:** A conflict of interest exists where **the interests or benefits of one person or entity conflict with the interests or benefits of the Company.**"
 - "Our policies **prohibit any employee from accepting simultaneous employment of any kind without written permission** of the Company, and **prohibit any employee from accepting simultaneous employment** with a Company supplier, customer, developer or competitor."
 - **"It is a conflict of interest to serve as a director of any company that competes with the Company."**
 - "Although you may serve as a director of another company, our policy requires that **you first obtain approval from the Company's Chief Financial Officer before accepting a directorship.**"
 - "Additionally, you must disclose to the Company any interest that you have that may conflict with the business of the Company."
 - "Employees, agents, or contractors should always try to **avoid even the appearance of impropriety.**"
- When Mr. Rodgers **called the phone number** on the Canyon Bridge press release to gather information, the Cypress CFO's secretary answered the phone within Mr. Rodgers's earshot, "Canyon Bridge." While economically insignificant, we believe this does give a bad leadership message and an "appearance of impropriety" to other Cypress employees
- Mr. Benhamou has **failed to follow the Code of Business Conduct and Ethics**, or even to mention it, despite having responsibility as **Lead Independent Director** to enforce it

Ray Bingham's "Mentoring" of CEO Hassane El-Khoury

- In a **formal succession planning** process in late 2015, **T.J. Rodgers** named **Hassane El-Khoury** to **succeed** him as Cypress's second CEO. The board unanimously approved the plan
- Rodgers reasoning: 1) that El-Khoury did a superior job in starting up the Cypress **automotive** business unit, 2) that as an automotive engineer and marketing-oriented person, he has the **right skills** to move to what is now called Cypress 3.0, and 3) that he was the **right person to replace T.J. Rodgers**, a technology and operations "inside guy"
- Nonetheless, **Ray Bingham blocked Hassane's promotion** from 4/16 to 8/16, despite having voted for the succession plan, and launched an expensive CEO search.
- T.J. Rodgers believed in the succession plan and **fought to help Hassane become CEO**
- In August, 2016, Mr. Bingham pushed a single, yes-or-no vote through the Board to create a new executive chairman position at Cypress—an extra layer of management that had not been needed for 35 years
 - Its ostensible purpose was to **mentor** the new CEO
 - It was to be a **temporary position**
 - The **excessive compensation** was pre-approved and thus not even debated
 - **Mr. Benhamou, Chairman of the Compensation Committee**, approved the excessive compensation
 - The Board, including T.J. Rodgers, voted unanimously to elect and help mentor the new CEO
- We believe that **Mr. Bingham has not mentored well**:
 - He did not travel with the new CEO to his first three investor meetings, according to CFO Thad Trent
 - His attendance at work was sporadic, just 2 days and 11 total hours per week from Aug 22 to Dec 2
 - He is not an expert on Cypress's most difficult problem: low gross margin
- **We believe CEO El-Khoury is doing a good job on Cypress 3.0, but could use help on the gross margin problem**

Cypress is on the M&A Sidelines at a Critical Time

Cypress's overall operational performance has been reasonable since April 2016, but Cypress has a gross margin problem that, compounded with high debt, keeps it on the M&A sidelines

- A **5% increase** in Cypress **gross margin** would:
 - increase cash flow by \$100 million per year
 - increase debt capacity by \$370 million
 - put Cypress back into M&A—at least for profitable “tuck-in” acquisitions
- The **40.1% gross margin in Q4'16** produced an operating **cash flow of \$89.8 million**, which was used to pay the \$35.4 million dividend and to buy \$11.9 million in capital equipment. That left only \$42.5 million in cash to service debt—just enough to cover interest payments—but **not to reduce debt** significantly
- Gross margin in **Q1'17 declined to 39.3%**, and Cypress produced operating **cash flow of only \$25.7 million**

The gross margin problem keeps Cypress on the M&A sidelines, **reducing stockholder value**.
Camillo Martino and Dan McCranie can expertly mentor on this problem.

Do What's Right For Cypress

- We believe the Cypress Board should focus on stockholder value rather than circling the wagons
- We believe Nominees J. Daniel McCranie and Camillo Martino can help the Cypress Board:
 - enhance stockholder value with their exceptional experience
 - restore compliance with the Cypress Code of Business Conduct and Ethics
 - eliminate the Canyon Bridge conflict of interest problem
 - eliminate the expensive executive chairman position
 - mentor the new CEO effectively without demanding excessive pay

We ask stockholders to **elect Dan McCranie and Camillo Martino at the 2017 Annual Meeting of Stockholders**

Appendix

CypressFirst Nominee – Camillo Martino

Camillo Martino

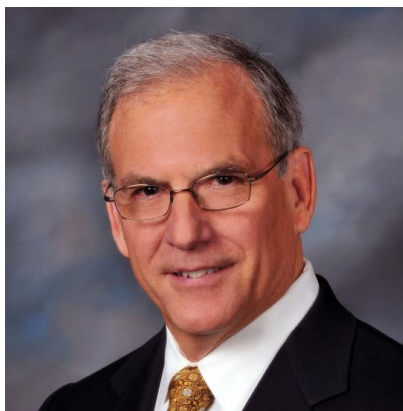


- Career semiconductor industry executive, focusing on corporate operations and international marketing
- Age: 55
- Education: B.App.Sc. (in Elec. Engineering), Melbourne Univ. 1983, & Grad Dip. (in Digital Comm.), Monash Univ. 1987

- Board of Directors: MosChip 2017-present
- Board of Directors, MagnaChip Semiconductor, 2016-present
- Board of Directors, VVDN Technologies, a private company, 2016-present
- Board Vice Chairman, communications & security software company SAI Technology, 2015-present
- Director and CEO, connectivity chipmaker, Silicon Image, Inc., 2010-2015
- Director SAI Technology, Inc., 2007-2010, COO 2008-2009
- President, CEO and Director of storage technology company Cornice Inc., 2005–2007
- Executive Vice President and COO of SoC chipmaker Zoran Corporation, 2001–2005
- Multiple positions over a nearly 14-year tenure in four countries, National Semiconductor, 1987-2000
- Grad. Dip. In Digital Communications, Monash University, 1987
- B.App.Sc Electrical Engineering (EE), University of Melbourne, 1983

CypressFirst Nominee – J. Daniel “Dan” McCranie

J. Daniel McCranie



♦Senior semiconductor industry executive, skilled in electronic systems design, marketing, sales and Management

♦Over 14 years direct experience with Cypress as operating executive and Board member

♦Age: 73

♦Education: BSEE
Virginia Tech , 1966

Operating Experience—50 years in Tech Industry

- CEO: SEEQ Technology (SEEQ), 1986–1993
- CEO: Virage Logic (VIRL), 2006–2010
- EVP Sales and Marketing: Cypress Semiconductor , 1994–2001 and 2014–2015
- EVP Sales and Marketing: SEEQ Technology, 1981–1986
- EVP Sales and Marketing: Harris Corporation, 1980–1981
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- Design / Technical Sales Management: AMI
- Design / Technical Sales Management: Signetics
- Design / Technical Sales Management: Digital Development
- Design / Technical Sales Management: General Dynamics
- Design / Technical Sales Management: Pan American World Airways

Board Experience – 10 Public Boards

- Board of Directors: Mentor Graphics, 2012-present
- Board of Directors: Freescale Corp, 2011-2014
- Board of Directors: Cypress Semiconductor, 2005-14
- Board of Directors: Actel Corp, 2004-2010
- Board of Directors: Virage Logic, 2003-2010
- Board of Directors: Asat Holdings, 2002-2004
- Board of Directors: ON Semiconductor Corp, 2001-2017
- Board of Directors: Xicor Corp, 2000-2004
- Board of Directors: California Micro, 2000-2004
- Board of Directors: SEEQ, 1986-1994

CypressFirst Nominator – T.J. Rodgers

T.J. Rodgers



Founding CEO of Cypress Semiconductor in 1982. Served as the Company's President and CEO until April 2016. Rodgers is the largest non-institutional Cypress stockholder controlling the vote of an aggregate of 8.7 million shares of common stock.

- Founding CEO, Cypress Semiconductor, 1982-2016
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 - Returned capital of \$8.50 billion (\$4.00B stock repurchase, \$1.48B debt repayment, \$425M cash dividends, \$2.60B SunPower spinout)
- Chairman, WaterBit (precision agriculture), 2017-present
- Director, Enphase (solar electronics), 2017-present
- Director, Enovix (silicon-lithium ion batteries), 2012-present
- Director, Bloom Energy (fuel cells), 2003-present
- Chairman, DecaTech (chipscale electronics packaging), 2009-2016
- Chairman, Agiga Technologies (non-volatile memories), 2010-2016
- Chairman, SunPower Corporation (NASDAQ: SPWR), 2002-2008
- Chairman, Semiconductor Industry Association, 1999
- Static RAM Product Line Mgr, Advanced Microdevices (NASDAQ: AMD), 1979-1982
- Director Static RAM Technology, American Microsystems (NASDAQ: AMI), 1975-1979
- MSEE, PhDEE Solid State Electronics, Stanford University 1973, 1975
- Trustee Emeritus, Dartmouth College, 2004-2012
- BA Physics and Chemistry, Salutatorian, Dartmouth College, 1970

Congress of the United States

Washington, DC 20515

December 6, 2016

The Honorable Jack Lew
Secretary
Department of the Treasury
Chairman, Committee on Foreign Investment
In the United States
Washington, D.C.

Dear Secretary Lew:

Last month, it was reported that the American programmable-chip maker, Lattice Semiconductor Corporation, is being purchased by Canyon Bridge Capital Partners (CBCP). We are concerned with this transaction as CBCP appears to be directly affiliated with the government of the People's Republic of China (PRC) and further appears to be a legal construction intended to obfuscate the involvement of numerous PRC state-owned enterprises during the Committee on Foreign Investment in the United States (CFIUS) review process.

As you know, Lattice is the third largest American producer of Field Programmable Gate Array (FPGA) technologies. FPGA technologies are critical to American military applications, and the purchase of an American FPGA designer and manufacturer by a PRC-affiliated firm could disrupt the military supply chain and possibly lead to a reliance on foreign-sourced technologies for many critical Defense Department programs.

While CBCP is based in California, the company's financial arrangements appear to tie CBCP directly with the Chinese State Council. CBCP's primary financial backer is the China Reform Fund Management Company; it appears the China Reform Fund set up CBCP through its legal advisement firm, Jones Day. The China Reform Fund is nearly exclusively-owned and operated by the Chinese State Council. Further, several PRC government investors with the China Reform Fund also appear to finance numerous Chinese military industrial firms.

As you likely know, in China's most recent 13th Five-Year Plan, the government reiterated the importance of the semiconductor market to Chinese strategic military modernization and domestic technological advancement. The domestic Chinese semiconductor industry is characterized by direct government subsidies, foreign investment restrictions, and compulsory joint ventures.

Over the past year, there has been a significant increase of attempted Chinese acquisition of U.S. semiconductor firms, which we believe illustrates China's strategic effort to bolster its own capabilities with U.S. technologies as well as disrupt the American military supply chain. Moreover, China's Five-Year Plan lays forth the goal for the PRC to become the worldwide leader in semiconductor production by 2030. We wholeheartedly endorse Secretary of Commerce Pritzker's recent warning about the significant increase in Chinese investment in the global semiconductor market. "Let me state the obvious: this unprecedented state-driven

interference would distort the market and undermine the innovation system. [...] The U.S. government will make clear to China's leaders at every opportunity that we will not accept a \$150-billion industrial policy designed to appropriate this industry.¹⁹

Anything other than a rejection of the acquisition of Lattice by this PRC-front entity would seem to undermine Secretary Pritzker's public commitment.

The PRC's interest in the U.S. semiconductor market is clear and well-coordinated, and their firms have faced well-deserved scrutiny when attempting to directly acquire American producers. In this instance, the PRC appears to have created an American venture capital firm to act as a conduit for Chinese government control over one of our largest semiconductor suppliers.

Recently, CFTUS objected to the acquisition of the German semiconductor firm, Aixtron, by the Chinese Fujian Grand Chip Investment Fund. We are also aware, according to press reports, that the U.S. government spearheaded an effort to ensure our German allies understood the risks of the PRC's efforts to acquire this firm, which in turn led to Berlin cancelling its approval of the acquisition of Aixtron.

We support these actions and respectfully urge you to ensure that CFTUS acts just as decisively in the instant case. Not only must CFTUS ensure the protection of our military semiconductor supply chain from undue Chinese government disruption, but our government needs to send a clear message to our allies that the United States will hold itself to the same supply chain and cybersecurity standards that we impose abroad.

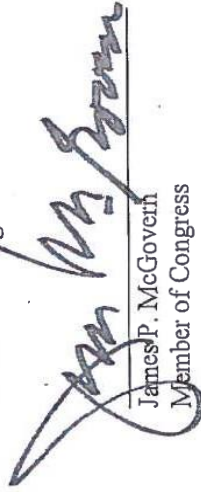
Sincerely,



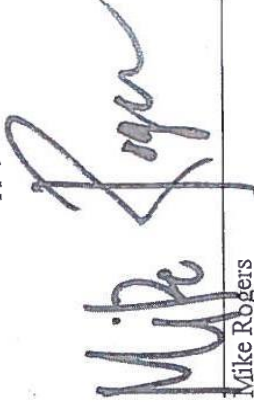
Robert Pittenger
Member of Congress



Steve Chabot
Member of Congress



James P. McGovern
Member of Congress



Mike Rogers
Member of Congress



Chris Smith
Member of Congress




Rosa L. DeLauro
Member of Congress


¹⁹ "U.S. Commerce chief warns against China semiconductor investment binge," *Reuters*, November 3, 2016, found at <http://www.reuters.com/article/us-usa-china-trade-semiconductors-idUSKBN12Y0EG>



Robert Adeholt
Member of Congress

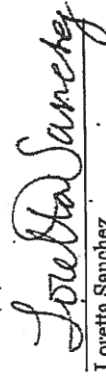

Walter B. Jones
Member of Congress

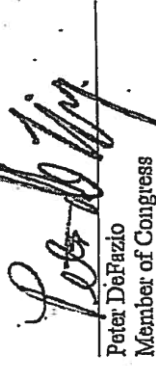

Daniel Lipinski
Member of Congress



Henry C. "Hank" Johnson
Member of Congress



Dana Rohrabacher
Member of Congress

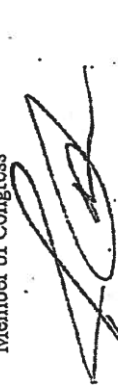

Mo Brooks
Member of Congress



Loretta Sanchez
Member of Congress



Peter DeFazio
Member of Congress


Doug Lauborn
Member of Congress



Vicky Hartzler
Member of Congress

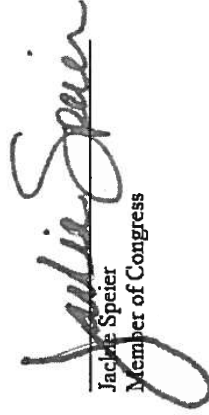

Ralph Abraham, M.D.
Member of Congress


Alex X. Mooney
Member of Congress


Brenda L. Lawrence
Member of Congress


Bill Johnson
Member of Congress


Madeleine Z. Bordallo
Member of Congress


Jackie Speier
Member of Congress

CC the Committee on Foreign Investment in the United States:

The Honorable Loretta E. Lynch, Attorney General of the United States
The Honorable Jeh Johnson, Secretary of Homeland Security
The Honorable Penny Pritzker, Secretary of Commerce
The Honorable Ashton Carter, Secretary of Defense
The Honorable John Kerry, Secretary of State
The Honorable Ernest Moniz, Secretary of Energy
The Honorable Michael Froman, U.S. Trade Representative
The Honorable John Holdren, Director, White House Office of Science and Technology Policy
The Honorable Shaun Donovan, Director, White House Office of Management and Budget
The Honorable Jason Furman, Chairman, White House Council of Economic Advisers
National Security Council
National Economic Council
Homeland Security Council

12/1/2016 11:44 AM

Eliminating the Executive Chairman Position

To Ray Bingham
Eric Benhamou
O. C. Kwon

Copy Steve Albrecht
Michael Wishart
Hassane El-Khoury

Wilbert van den Hoek

The purpose of this memo is to respectfully suggest that you lead an effort to eliminate Cypress's Executive Chairman position, based on its cost vs. benefit.

To scope the cost, consider Cypress's recent, painful 500-person layoff. An average employee costs the company about \$80,000 per year. Thus, the Executive Chairman's \$4,000,000 compensation equates to the layoff of 50 average employees. The \$4,000,000 total compensation is also about double the compensation of our other five outside directors, added together.

The Executive Chairman position was explicitly created as a short-term temporary position to mentor our new CEO, Hassane El-Khoury. Hassane has never needed mentoring on customer relations, since he has maintained excellent relationships with the 5,000-plus customers of our Programmable Systems Division for several years, as well as having personally and successfully managed our two biggest strategic customers.

Given Hassane's customer expertise and given that your personal expertise is not in the areas of design, technology or operations, the remaining scope of Hassane's mentoring is mostly limited to strategic financial areas, particularly M&A, and to shareholder relations.

Since his appointment as CEO, Hassane has attended two quarterly investor conference calls, the second of which was followed by a full day of institutional investor one-on-one calls—all with good investor feedback on Hassane from both investors and our CFO, Thad Trent. Hassane has also attended two investor conferences that featured all-day, one-on-one investor meetings and has been on a non-IPO financial roadshow, again with favorable reviews.

According to Thad, accomplishments were made without your direct involvement, due to your unavailability, although I'm sure you were involved in preparation meetings or conference calls. In my opinion, in 2017 you could easily cover any added mentoring of Hassane on investor issues as a conventional, non-executive director.

Today, a board-level M&A evaluation team you created directly evaluates all M&A activity. Thus, critical M&A issues now come not just to the Executive Chairman, but to the board. Other major financial issues, such as our recent raising of capital for the Broadcom acquisition, are also currently handled at a board level to benefit fully from its broad financial expertise. Thus, working with Hassane and Thad on M&A and financing is already a board-level activity, in which you directly participate as a non-executive director.

Since you have not been able to spend a lot of time mentoring Hassane and since the areas in which he still could benefit from mentoring in 2017 can be handled by you and our other board members in the conventional manner, I respectfully request that you lead an effort to eliminate Cypress's Executive Chairman position and put the \$4 million per year back on Cypress's bottom line.

“The purpose of this memo is to respectfully suggest that you lead an effort to eliminate Cypress's Executive Chairman position, based on its cost vs. benefit.”