

Spansion Inc.
Form DEF 14A
April 04, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

SPANSION INC.

(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notes:

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April 9, 2008

Dear Stockholder:

On behalf of the Board of Directors, you are cordially invited to attend the 2008 Annual Meeting of Stockholders of Spansion Inc. to be held at the Four Seasons Hotel, 2050 University Avenue, East Palo Alto, California, on Tuesday, May 27, 2008 at 11:00 a.m., local time. The formal notice of the Annual Meeting appears on the following page. The attached Notice of Annual Meeting and Proxy Statement describe the matters that we expect to be acted upon at the Annual Meeting and provide additional information for stockholders.

During the Annual Meeting, stockholders will hear a presentation by Spansion and have the opportunity to ask questions. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. Please vote as soon as possible. You may vote via the Internet, by telephone or by mailing a completed proxy card as an alternative to voting in person at the Annual Meeting. Voting by any of these methods will ensure your representation at the Annual Meeting.

We encourage you to sign up for electronic delivery of future proxy materials in order to conserve natural resources and help us reduce printing costs and postage fees. For more information, please see [Questions and Answers](#) in the Proxy Statement.

We urge you to carefully review the proxy materials and to vote FOR the director nominees and FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.

We look forward to seeing you at the Annual Meeting.

/s/ Dr. Bertrand F. Cambou

Dr. Bertrand F. Cambou

President and Chief Executive Officer

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SPANSION INC.
915 DeGUIGNE DRIVE
P.O. BOX 3453
SUNNYVALE, CALIFORNIA 94088

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

We will hold the 2008 Annual Meeting of Stockholders of Spansion Inc. at the Four Seasons Hotel, 2050 University Avenue, East Palo Alto, California, on Tuesday, May 27, 2008. The meeting will start at 11:00 a.m. local time. At the Annual Meeting, our stockholders will be asked to:

1. Elect two Class A directors to serve for a three-year term expiring at the 2011 annual meeting of stockholders;
2. Elect one Class C director to serve for a three-year term expiring at the 2011 annual meeting of stockholders;
3. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year; and

4. Transact any other business that properly comes before the meeting and any postponement or adjournment of the Annual Meeting. Only record holders of Common Stock at the close of business on March 31, 2008, the record date for the Annual Meeting, are entitled to receive notice of and to vote on all matters submitted to a vote of stockholders at the Annual Meeting. Only record holders of the Class A Common Stock are entitled to vote on the election of the Class A directors, and only record holders of Class C Common Stock are entitled to vote on the election of the Class C director. Record holders of all classes of Common Stock are entitled to vote as a single class on all other matters submitted to a vote of the stockholders. Stockholders are urged to read the attached proxy statement carefully for additional information concerning the matters to be considered at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. Stockholders who plan to attend in person are nevertheless requested to vote online, by telephone, or by signing and returning their proxy cards to make certain that their vote will be represented at the Annual Meeting should they unexpectedly be unable to attend.

By Order of the Board of Directors,

/s/ Robert C. Melendres
ROBERT C. MELENDRES

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Corporate Secretary

This proxy statement and accompanying proxy card are first being distributed on or about April 9, 2008.

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE URGE YOU TO VOTE ONLINE AT PROXYVOTE.COM, BY TELEPHONE, OR COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED. VOTING ONLINE, BY TELEPHONE, OR BY RETURNING YOUR PROXY CARD WILL ENSURE THAT YOUR VOTE IS COUNTED IF YOU LATER DECIDE NOT TO ATTEND THE MEETING.

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SPANSION INC.

PROXY STATEMENT

2008 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS

1. Q: WHO IS SOLICITING MY VOTE?

A: This proxy solicitation is being made by the Board of Directors of Spansion Inc. All expenses of soliciting proxies, including clerical work, printing and postage, will be paid by us. Our directors, officers and other employees may solicit proxies in person, by mail, by telephone, by facsimile, through the Internet or by other means of communication, but such persons will not be specifically compensated for such services.

2. Q: WHEN WAS THIS PROXY STATEMENT MAILED TO STOCKHOLDERS?

A: This proxy statement was first mailed to stockholders on or about April 9, 2008.

3. Q: WHAT MAY I VOTE ON?

A: Spansion stockholders may vote as follows:

 Holders of Class A Common Stock may vote on the election of two director nominees, Dr. Bertrand F. Cambou and Mr. David E. Roberson, to serve as Class A Directors on our Board of Directors;

 The holder of Class C Common Stock may vote on the election of one director nominee, Mr. Gilles Delfassy, to serve as Class C Director on our Board of Directors; and

 Holders of Class A Common Stock and Class C Common Stock, voting together as a single class, may vote on the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.

4. Q: HOW DOES THE BOARD OF DIRECTORS RECOMMEND I VOTE ON THE PROPOSALS?

A: The Board recommends that you vote:

 FOR each of the director nominees; and

 FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year.

5. Q: WHO IS ENTITLED TO VOTE?

A: Stockholders as of the close of business on March 31, 2008, the Record Date, are entitled to vote on all items properly presented at the Annual Meeting for which they are eligible to vote. On the Record Date, 158,323,770 shares of our Class A Common Stock and one share of our Class C Common Stock were outstanding. Our Class B Common Stock and Class D Common Stock have been retired and no shares are outstanding. Consequently, the only stockholders entitled to vote are record holders of shares of Class A Common Stock and Class C Common Stock (together, the Common Stock). Every stockholder is entitled to one vote for each share of Common Stock held. A list of these stockholders will be available during ordinary business hours at the principal place of business

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of Spansion, located at 915 DeGuigne Drive, Sunnyvale, California 94085-3836, at least ten days before the Annual Meeting. The list of stockholders will also be available at the time and place of the Annual Meeting.

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6. Q: HOW DO I VOTE BY MAIL?

A: If you complete and properly sign each proxy card you receive and return it to us in the prepaid envelope, it will be voted by one of the individuals indicated on the card (your proxy) as you direct.

If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the election of the director nominees and FOR the ratification of the appointment of our auditors. If your shares are held by your broker, see question 12 below.

7. Q: CAN I VOTE BY TELEPHONE OR ELECTRONICALLY?

A: If you live in the United States or Canada, you may submit your proxy by following the Vote by Telephone instructions on the proxy card. If you have Internet access, you may submit your proxy from any location in the world by following the Vote by Internet instructions on the proxy card.

8. Q: WHO CAN ATTEND THE ANNUAL MEETING?

A: Only stockholders as of the Record Date, holders of proxies for those stockholders and other persons invited by us can attend. If your shares are held by your broker in street name, you must bring a letter from your broker or a copy of your proxy card to the meeting showing that you were the direct or indirect beneficial owner of the shares on the Record Date to attend the meeting.

9. Q: CAN I VOTE AT THE MEETING?

A: Yes. If you attend the meeting and plan to vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and have the right to vote in person at the meeting. If your shares are held by your broker in street name, you are considered the beneficial owner of the shares held in street name. As a beneficial owner, if you wish to vote at the meeting, you must bring to the meeting a legal proxy from your broker showing that you were the beneficial owner of the shares on the Record Date and are authorized to vote those shares.

10. Q: CAN I CHANGE MY VOTE AFTER I RETURN MY PROXY CARD OR AFTER I HAVE VOTED BY TELEPHONE OR ELECTRONICALLY?

A: Yes. You may change your vote at any time before the voting concludes at the Annual Meeting by:

- Sending in another proxy with a later date by mail, telephone or over the Internet;
- Notifying our Corporate Secretary in writing before the Annual Meeting that you wish to revoke your proxy; or
- Voting in person at the Annual Meeting.

11. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN STREET NAME?

A: If your shares are held by your broker in street name, you will receive a form from your broker seeking instruction as to how your shares should be voted. We urge you to complete this form and instruct your broker how to vote on your behalf. You can also vote in person at the Annual Meeting, but you must bring a legal proxy from the broker showing that you were the beneficial owner of your shares on the Record Date and are authorized to vote the shares.

12. Q: WHAT IS BROKER DISCRETIONARY VOTING?

A: If you hold your shares through a broker, your broker is permitted to vote your shares on routine discretionary items, such as the election of directors and ratification of our independent registered public accounting firm, if it has transmitted the proxy materials to you and has not received voting instructions from you on how to vote your shares before the deadline set by your broker.

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13. Q: WHAT IS A QUORUM?

A: A quorum is a majority of the outstanding shares of Common Stock. They may be present at the Annual Meeting or represented by proxy. There must be a quorum for the Annual Meeting to be held. If you submit a properly executed proxy card, even if you abstain from voting, you will be considered part of the quorum. Broker non-votes are also considered a part of the quorum. Broker non-votes occur when a broker holding shares for a beneficial owner does not vote on a particular matter because the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

14. Q: HOW ARE MATTERS PASSED OR DEFEATED?

A: The director nominees receiving the highest number of affirmative votes from holders of our Class A Common Stock and the affirmative vote of the holder of our Class C Common Stock will be elected as Class A directors and a Class C director, respectively. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Ratification of the appointment of our independent registered public accounting firm must receive affirmative votes from more than 50 percent of the shares of Common Stock that are present in person or represented by a proxy and entitled to vote on that proposal at the Annual Meeting. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. However, abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business. As a result, abstentions will have the same effect as negative votes and broker non-votes are not counted for purposes of determining whether stockholder approval of the matter has been obtained.

15. Q: WHO WILL COUNT THE VOTES?

A: Votes will be tabulated by Computershare Trust Company, N.A.

16. Q: HOW WILL VOTING ON ANY BUSINESS NOT DESCRIBED IN THE NOTICE OF ANNUAL MEETING BE CONDUCTED?

A: We do not know of any business to be considered at the Annual Meeting other than the proposals described in this proxy statement. If any other business is presented at the Annual Meeting, your signed proxy card gives authority to Dr. Bertrand F. Cambou, our President and Chief Executive Officer, and Mr. Robert C. Melendres, our Executive Vice President, Business Development, Chief Legal Officer and Corporate Secretary, to vote on such matters at their discretion.

17. Q: HOW CAN I OBTAIN ELECTRONIC COPIES OF THE PROXY MATERIALS FOR THE 2008 ANNUAL MEETING?

A: This proxy statement and Spansion's Annual Report on Form 10-K for Fiscal 2007 are available electronically at the Investor Relations page of our website at investor.spansion.com/2008_Proxy_Statement.

18. Q: HOW CAN I ELECT TO RECEIVE FUTURE PROXY MATERIALS ELECTRONICALLY?

A: We strongly encourage you to elect to receive future proxy materials electronically in order to conserve natural resources and to help us reduce printing costs and postage fees. With electronic delivery, you will be notified via e-mail as soon as the proxy materials are available on the Internet, and you can submit your votes online. To sign up for electronic delivery:

Go to our website at investor.spansion.com/2008_Proxy_Statement;

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Click on [Electronic Proxy Statement](#); and

Follow the directions provided to complete your enrollment.

Once you enroll for electronic delivery, you will receive proxy materials electronically as long as your account remains active or until you cancel your enrollment.

19. Q: WHEN ARE THE STOCKHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING DUE?

A: In accordance with the rules of the Securities and Exchange Commission, in order for stockholder proposals to be considered for inclusion in the proxy statement for the 2009 Annual Meeting, they must be submitted in writing to our Corporate Secretary, Spansion Inc., 915 DeGuigne Drive, P.O. Box 3453, Sunnyvale, California 94088 on or before December 10, 2008. In addition, our bylaws provide that for directors to be nominated or other proposals to be properly presented at a stockholders meeting, an additional notice of any nomination or proposal must be received by us between February 26, 2009 and March 28, 2009. However, if our 2009 Annual Meeting is not within 30 days of May 27, 2009, to be timely, the notice by the stockholder must be received by our Corporate Secretary not later than the close of business on the tenth day following the day on which the first public announcement of the date of the Annual Meeting was made or the notice of the meeting was mailed, whichever occurs first. More information on our bylaws and a description of the information that must be included in the stockholder notice is included in this proxy statement beginning on page 8 under the heading [Consideration of Stockholder Nominees for Director](#).

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2008 ANNUAL STOCKHOLDERS MEETING TO BE HELD ON MAY 27, 2008.

The proxy statement to security holders is available at investor.spansion.com/2008_Proxy_Statement.

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Our Board of Directors currently consists of nine 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, subject to each holder's aggregate ownership interest in Spansion, the holders of Class C Common Stock, voting together as a separate class, are entitled to vote for one director to the Board (the "Class C Director"). As the sole holder of our Class C Common Stock, Fujitsu Microelectronics Limited, a wholly owned subsidiary of Fujitsu Limited, has the right to elect the Class C Director. The holders of Class A Common Stock, voting together as a separate class, are entitled to vote for all other directors to the Board (the "Class A Directors").

Classified Board

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

| Class | Expiration | Member |
|--------------|-------------------|---------------------------------------|
| Class I | 2009 | David K. Chao (Class A Director) |
| | | Robert L. Edwards (Class A Director) |
| | | Donald L. Lucas (Class A Director) |
| Class II | 2010 | Boaz Eitan (Class A Director) |
| | | Patti S. Hart (Class A Director) |
| | | John M. Stich (Class A Director) |
| Class III | 2008 | Bertrand F. Cambou (Class A Director) |
| | | Gilles Delfassy (Class C Director) |
| | | David E. Roberson (Class A Director) |

Election of Class III Directors

At the Annual Meeting, three directors will be elected for a three-year term, which expires at our 2011 Annual Meeting of Stockholders, until their successors are duly elected and qualified in accordance with our bylaws. Two of the nominees, Dr. Cambou and Mr. Roberson, are presently member of our Board of Directors and serve as Class A Directors. Mr. Delfassy, who is also a nominee and presently a member of our Board of Directors, serves as a Class C Director. Upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated Dr. Cambou, Mr. Delfassy and Mr. Roberson for re-election as Class III directors. See "Nominees" below. If Dr. Cambou, Mr. Delfassy or Mr. Roberson should be unable or decline to serve at the time of the Annual Meeting, the persons named as proxies on the proxy card will vote for such substitute nominee(s) as our Board of Directors recommends, or vote to allow the vacancy created thereby to remain open until filled by our Board of Directors. The Board of Directors has no reason to believe that the nominees will be unable or decline to serve as directors if elected.

The Board of Directors recommends that the holders of Class A Common Stock vote in favor of the election of Dr. Cambou and Mr. Roberson as Class A Directors and that the holder of Class C Common Stock vote in favor of the election of Mr. Delfassy as a Class C Director. Proxies received will be voted FOR the nominees named below, unless marked to the contrary.

Nominees

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The following director nominees are standing for election by the holders of our Class A Common Stock:

Bertrand F. Cambou, age 52, has served as our President and Chief Executive Officer since July 2003. From July 2003 until November 2005, he served as a member of Spansion LLC's Board of Managers. Since November

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2005, he has served as a Class A Director. Beginning in January 2002 until December 2005, he served as a vice president of Advanced Micro Devices, Inc. (AMD), first as group vice president of AMD's Memory Group, and later as an executive vice president. Dr. Cambou was chief operating officer and co-president of Gemplus International S.A. from June 1999 to January 2002. Also during this time, he was a board member of Gemplus International S.A. and of Ingenico Ltd. Dr. Cambou's career includes a 15-year tenure at Motorola Inc., where he held various management positions including senior vice president and general manager of the Networking and Computing System Group as well as chief technical officer of the Semiconductor Sector. Dr. Cambou received his engineering degree from Supélec, Paris, and his doctorate in electrical engineering from Paris XI University. He is the author of 15 U.S. patents.

David E. Roberson, age 53, has served as a Class A Director since the consummation of our initial public offering in December 2005. Since May 2007, Mr. Roberson has served as senior vice president and general manager of the StorageWorks Division of Hewlett-Packard Company. Prior to that, he served as president and chief executive officer and as a member of the board of directors of Hitachi Data Systems from April 2006 until May 2007. From April 2004 until April 2006, Mr. Roberson served as president and chief operating officer of Hitachi Data Systems, and from April 2000 until April 2004 he served as its chief operating officer. Mr. Roberson received a bachelor's degree in Social Ecology from the University of California, Irvine and a law degree from Golden Gate University School of Law in San Francisco, California. Mr. Roberson also studied financial management at Harvard Business School.

The following director nominee is standing for election by the holder of our Class C Common Stock:

Gilles Delfassy, age 52, has served as a Class C Director since September 2007. Until his retirement in January 2007, Mr. Delfassy served in various senior management positions at Texas Instruments Incorporated, which he joined in 1978, most recently as a senior vice president. Mr. Delfassy is also a member of the Board of Directors of Anadigics, Inc. Mr. Delfassy received an Engineering Diploma (equivalent to master's of science in electrical engineering) at Ecole Nationale Supérieure d'Electronique et d'Automatique de Toulouse. He also graduated in Business Administration from Institut d'Administration des Entreprises de Paris.

Other Directors

The following six directors whose terms of office do not expire in 2008 will continue to serve after the Annual Meeting until such time as their respective terms of office expire and their respective successors are duly elected and qualified:

David K. Chao, age 41, 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.

Robert L. Edwards, age 52, has served as a Class A Director since December 2006. Since March 2004, Mr. Edwards has served as executive vice president and chief financial officer of Safeway, Inc. Prior to that, he served as executive vice president and chief financial officer of Maxtor Corporation from September 2003 until March 2004. Prior to joining Maxtor, Mr. Edwards was senior vice president, chief financial officer and chief administrative officer at Imation Corporation, where he was employed from 1998 to August 2003. He is also a

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director of Casa Ley, in which Safeway has a 49% ownership interest. Mr. Edwards holds a bachelor's degree in accounting and a master's degree in business administration from Brigham Young University.

Boaz Eitan, age 59, has served as a Class A Director and Executive Vice President and Chief Executive Officer, Saifun 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. 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 an 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.

Patti S. Hart, age 52, has served as a Class A Director since the consummation of our initial public offering in December 2005. Ms. Hart most recently served as chairman and chief executive officer of Pinnacle Systems from March 2004 until August 2005. Prior to joining Pinnacle Systems in 2004, Ms. Hart was chairman and chief executive officer of Excite@Home from April 2001 until March 2002. Prior to joining Excite@Home in 2001, Ms. Hart served as chairman, president and chief executive officer of Telocity and as a member of Telocity's board of directors from July 1999 through its sale to DirecTV in March 2001. From 1986 to 1999, Ms. Hart worked at Sprint Corporation, most recently as president and chief operations officer of Sprint's Long Distance Division. Ms. Hart is also a member of the board of directors for Korn Ferry International, International Game Technology and LIN TV Corp., and is a former board member of Plantronics Inc., Vantive Corporation, EarthLink, Inc. and Premisys Corporation. Ms. Hart holds a bachelor's degree in marketing and economics from Illinois State University.

Donald L. Lucas, age 77, 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 their executive committee. Mr. Lucas also currently serves as chairman of the board of directors of DexCom, Inc. and 51job, Inc., and as a director of Cadence Design Systems, Inc. and Vimicro Corp. Mr. Lucas received a bachelor's degree from Stanford University and a master's degree from the Stanford Graduate School of Business.

John M. Stich, age 66, has served as a Class A Director since December 2006. He is the Honorary Consul General of Japan at Dallas. 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 Stonestreet One, Inc. and Diodes Inc. 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, Vice-Dean of the Consular Corps of Dallas/Fort Worth, and a member of the Pastoral Council of Prince of Peace church. Mr. Stich holds a bachelor's degree in electrical engineering from Marquette University.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSED DIRECTOR NOMINEES LISTED ABOVE.

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CORPORATE GOVERNANCE

Principles of Corporate Governance

The Board of Directors has adopted Principles of Corporate Governance to address significant corporate governance issues. The Principles of Corporate Governance provide a framework for our corporate governance matters and include topics such as Board and Board Committee composition, the role and functions of the Board, the responsibilities of various Board committees and Board evaluations. The Nominating and Corporate Governance Committee is responsible for reviewing and recommending any changes on the Principles of Corporate Governance to the Board.

Director Independence

The Board of Directors affirmatively determines the independence of each director and nominee for election as a director in accordance with the elements of independence set forth in the NASDAQ Stock Market listing standards. On March 12, 2008, the Board conducted a review of director independence. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and Spansion and our subsidiaries and affiliates, including those reported under Certain Relationships and Related Transactions on page 49. The Board also considered whether there were any transactions or relationships between directors or any member of their immediate families (or any entity on which a director or an immediate family member is an executive officer, general partner or significant equity holder) and members of Spansion’s executive team or their affiliates. The purpose of this review was to determine whether any transactions or relationships exist that are inconsistent with a determination of director independence.

As part of this review, the Board of Directors considered: (i) the ownership interest that Mr. Chao’s firm, DCM, has in Vendavo, Inc., which provides software we purchased through an agreement with SAP Inc.; (ii) Mr. Delfassy’s service on the board of directors of Discretix Inc., which licenses software to us; (iii) Mr. Lucas’s service on the board of directors of Cadence Design Systems, Inc., which provides equipment and services to us; and (iv) Mr. Roberson’s employment with Hewlett-Packard Company, which is one of our customers. The Board determined that none of these relationships violate the elements of independence set forth in the NASDAQ Stock Market listing standards and, therefore, seven of the nine members of Spansion’s Board of Directors are independent directors. More specifically, the Board of Directors affirmatively determined that each of the following non-employee directors is independent and has no relationship with Spansion, except as a director and stockholder of Spansion:

David K. Chao
Gilles Delfassy
Robert L. Edwards

Patti S. Hart
Donald L. Lucas

David E. Roberson
John M. Stich

In addition, the Board affirmatively determined that Dr. Cambou is not independent because he is the President and Chief Executive Officer of Spansion and that Dr. Eitan is not independent because he is Executive Vice President and Chief Executive Officer, Saifun. Dr. Eitan joined Spansion in March 2008, when we acquired Saifun Semiconductors Limited, which is a wholly owned subsidiary of Spansion.

Nominations for Directors

Process for Evaluating and Selecting Potential Director Candidates

Our Nominating and Corporate Governance Committee is responsible for annually identifying and recommending to the Board of Directors the nominees to be selected by the Board for each annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected) and recommending candidates to fill any vacancies on the Board (whether through the resignation of any director or through the increase in the number of directors by the Board). The Nominating and Corporate Governance Committee is also

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responsible for periodically assessing and developing the appropriate criteria to be utilized in evaluating potential director nominees, and communicating such criteria to the Board.

Minimum Qualifications for Director Nominees

The Nominating and Corporate Governance Committee has established the following minimum criteria for evaluating prospective candidates to be selected by the Board:

Reputation for integrity, strong moral character and adherence to high ethical standards;

Holds or has held a generally recognized position of leadership in community or chosen field of endeavor, and has demonstrated high levels of accomplishment;

Demonstrated business acumen and experience, and ability to exercise sound business judgment and common sense in matters that relate to the current and long-term objectives of Spansion;

Ability to read and understand basic financial statements and other financial information pertaining to Spansion;

Commitment to understand our business, industry and strategic objectives;

Commitment and ability to regularly attend and participate in meetings of the Board of Directors, Board committees and stockholders (taking into account the number of other company boards on which the candidate serves), and ability to generally fulfill all responsibilities as a director;

Willingness to represent and act in the interests of all stockholders of Spansion rather than the interests of a particular group;

Good health, and ability to serve;

For prospective non-employee directors, independence under Securities and Exchange Commission rules and the NASDAQ Stock Market listing standards, and the absence of any conflict of interest (whether due to a business or personal relationship) or legal impediment to, or restriction on, the nominee serving as a director; and

Willingness to accept the nomination to serve as a director of Spansion.

Other Factors for Potential Consideration

The Nominating and Corporate Governance Committee will also consider the following factors in connection with its evaluation of each prospective director nominee:

Whether the prospective director nominee will foster a diversity of skills and experiences;

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Whether the prospective director nominee possesses the requisite education, training and experience to qualify as financially literate or as an audit committee financial expert under applicable Securities and Exchange Commission rules and the NASDAQ Stock Market listing standards;

For incumbent directors standing for re-election, the director's performance during his or her term, including the number of meetings attended, level of participation, and overall contribution to Spansion;

The number of other company Boards on which the prospective director nominee serves; and

Whether the prospective director nominee will add to or complement the Board's existing strengths.

Process for Identifying, Evaluating and Recommending Director Nominees

The Nominating and Corporate Governance Committee initiates the process for identifying, evaluating and recommending prospective director nominees by preparing a list of potential candidates who, based on their biographical information and other information available to the Nominating and Corporate

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Governance Committee, appear to meet the criteria specified above and who have specific qualities, skills or experience being sought (based on input from the Board).

Outside Advisors. The Nominating and Corporate Governance Committee may engage a third-party search firm or other advisors to assist in identifying prospective director nominees.

Stockholder Suggestions for Potential Nominees. The Nominating and Corporate Governance Committee will consider suggestions of prospective director nominees from stockholders. Stockholders may recommend individuals for consideration in accordance with the procedures set forth below in *Consideration of Stockholder Nominees for Director*. The Nominating and Corporate Governance Committee will evaluate a prospective director nominee suggested by any stockholder in the same manner and against the same criteria as any other prospective director nominee identified by the Nominating and Corporate Governance Committee from any other source.

Nomination of Incumbent Directors. The re-nomination of existing directors should not be viewed as automatic, but should be based on continuing qualification under the criteria set forth above. For incumbent directors standing for re-election, the Nominating and Corporate Governance Committee will assess the incumbent director's performance during his or her term, including the number of meetings attended; level of participation, and overall contribution to Spansion; composition of the Board at that time; and any changed circumstances affecting the individual director which may bear on his or her ability to continue to serve on the Board.

Management Directors. The number of officers or employees of Spansion serving at any time on the Board should be limited such that at all times a majority of the directors is independent under applicable Securities and Exchange Commission rules and the NASDAQ Stock Market listing standards.

After reviewing appropriate biographical information and qualifications, first-time candidates will be interviewed by at least one member of the Nominating and Corporate Governance Committee and by the Chief Executive Officer.

Upon completion of the above procedures, the Nominating and Corporate Governance Committee shall determine the list of potential candidates to be recommended to the Board for nomination at the annual meeting.

The Board of Directors will select the slate of nominees only from candidates identified, screened and approved by the Nominating and Corporate Governance Committee.

Consideration of Stockholder Nominees for Director

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for candidates to serve on our Board. Pursuant to our bylaws, stockholders who wish to nominate persons for election to the Board of Directors at the 2009 annual meeting must be stockholders of record when they give us notice of such nomination, must be entitled to vote at the meeting and must comply with the notice provisions in our bylaws. A stockholder's notice must be delivered to our Corporate Secretary or the Chair of the Nominating and Corporate Governance Committee not less than 60 nor more than 90 days before the anniversary date of the immediately preceding annual meeting. For our 2009 annual meeting, the notice must be delivered between February 26, 2009 and March 28, 2009. However, if our 2009 annual meeting is not within 30 days of May 27, 2009, the notice must be delivered no later than the close of business on the tenth day following the earlier of the day on which the first public announcement of the date of the Annual Meeting was made or the day the notice of the meeting is mailed. The stockholder's notice must include the following information for the person proposed to be nominated:

Name, age, nationality, business and residence addresses;

Principal occupation and employment;

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The class and number of shares of stock owned beneficially and of record by the proposed nominee;

Any other information required to be disclosed in a proxy statement with respect to the proposed nominee; and

The proposed nominee's written consent to being a nominee and to serving as a director if elected.

The stockholder's notice must also include the following information for the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

Names and addresses;

The number of shares of stock owned beneficially and of record by them;

A description of any arrangements or understandings between them and each proposed nominee and any other persons (including their names) pursuant to which the nominations are to be made;

A representation that they intend to appear in person or by proxy at the Annual Meeting to nominate the person named in the notice;

A representation as to whether they are part of a group that intends to deliver a proxy statement or solicit proxies in support of the nomination; and

Any other information that would be required to be included in a proxy statement.

The Chair of the Annual Meeting will announce whether the procedures in the bylaws have been followed, and if not, declare that the nomination be disregarded. If the nomination is made in accordance with the procedures in our bylaws, the Nominating and Corporate Governance Committee will apply the same criteria in evaluating the nominee as it would any other director nominee candidate and will recommend to the Board whether or not the stockholder nominee should be nominated by the Board and included in our proxy statement. These criteria are described below in the description of the Nominating and Corporate Governance Committee on page 15. The nominee and nominating stockholder must be willing to provide any information reasonably requested by the Nominating and Corporate Governance Committee in connection with its evaluation.

Communications with the Board or Non-Management Directors

Stockholders who wish to communicate with Spansion's Board of Directors or with non-management directors may send their communications in writing to our Corporate Secretary, Spansion Inc., 915 DeGuigne Drive, P.O. Box 3453, Sunnyvale, California 94088 or send an email to Corporate.Secretary@spansion.com. Spansion's Corporate Secretary will forward these communications to our independent directors except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Communications will not be forwarded to the independent directors unless the stockholder submitting the communication identifies himself or herself by name and sets out the number of shares of stock he or she owns beneficially or of record.

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

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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.

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You 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 you with 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 Securities and Exchange Commission or the NASDAQ Stock Market.

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COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors

The Board of Directors has Audit, Compensation, Finance and Nominating and Corporate Governance Committees. The Strategy Committee was created in March 2007 and dissolved in March 2008. The members of these committees and their chairs are recommended by the Nominating and Corporate Governance Committee and then appointed by the Board. During the 2007 fiscal year, the Board of Directors held nine regularly scheduled and special meetings, the Audit Committee held thirteen regularly scheduled and special meetings, the Compensation Committee held five regularly scheduled and special meetings, the Finance Committee held three regularly scheduled and special meetings, the Nominating and Corporate Governance Committee held six regularly scheduled and special meetings, and the Strategy Committee held five regularly scheduled and special meetings. All directors attended at least 75 percent of the meetings of the Board of Directors and Board committees during the periods that he or she served in fiscal 2007, except for Dr. Hector de J. Ruiz, who resigned as Chairman of the Board on September 20, 2007. The independent directors hold regularly scheduled sessions without any members of Spansion's management present. Four such sessions of the independent directors were held in fiscal 2007. Spansion's directors are strongly encouraged to attend the Annual Meeting of Stockholders. All seven members of our Board of Directors attended the 2007 Annual Meeting of Stockholders.

On March 16, 2007, the Board established the position of Lead Independent Director and, upon the recommendation of our Nominating and Corporate Governance Committee, designated Mr. David E. Roberson as Lead Independent Director. The general authority and responsibilities of the Lead Independent Director are established by the Board, and include presiding at all meetings of the Board when the Chairman is not present; serving as a liaison between the independent directors and the Chairman of the Board; evaluating and approving the information, agenda and meeting schedules sent to the Board; calling and chairing meetings of the independent directors; recommending to the Nominating and Corporate Governance Committee the membership of the Board committees and selection of committee chairpersons; recommending the retention of advisors and consultants who report directly to the Board; assisting in ensuring compliance with and implementation of the Board's corporate governance principles; and being available for consultation and communication with stockholders. On September 20, 2007, upon the appointment of an independent Chairman of the Board of Directors, Mr. Roberson resigned from his position as Lead Independent Director.

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. Robert L. Edwards, as Chair, Mr. John M. Stich and Mr. Roberson, 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 the NASDAQ Stock Market listing standards. Mr. Roberson served as Chair of the Audit Committee until Mr. Edwards was appointed as Chair on March 16, 2007, Mr. David K. Chao served as a member of the Audit Committee until September 20, 2007 and Ms. Patti S. Hart served as a member of the Audit Committee until March 12, 2008. The Board of Directors has determined that Messrs. Edwards and Roberson are each an audit committee financial expert as defined under the rules of the Securities and Exchange Commission.

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

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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.

Compensation Committee

The Compensation Committee consists of Ms. Hart, as Chair, and Mr. Gilles Delfassy and Mr. Roberson, each of whom was determined by the Board to be independent. Mr. Roberson served as a member of the Compensation Committee until March 16, 2007 and then was reappointed to the Compensation Committee on December 20, 2007. Messrs. Chao, Edwards and John M. Stich each served on the Compensation Committee until September 20, 2007.

The Compensation Committee assists the Board with its oversight responsibilities regarding our compensation plans, policies and benefit programs. The Compensation Committee also assists the Board in discharging its responsibilities regarding oversight of the compensation of executive officers and directors, including by designing (in consultation with management or the Board), recommending to the Board for approval and evaluating our compensation plans, policies and programs for executive officers and directors. The Compensation Committee shall ensure that compensation programs are designed to encourage high performance, promote accountability and assure that employee interests are aligned with the interests of the Company's stockholders. In fulfilling its responsibilities, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee of the Compensation Committee, except for the adoption and approval of cash- and equity-based compensation plans, matters that involve executive compensation or matters where the Compensation Committee has determined such compensation is intended to comply with Section 162(m) of the Internal Revenue Code or is intended to be exempt from Section 16(b) under the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3.

The Compensation Committee approves all equity awards granted to executive officers and the annual equity awards granted to employees following Spansion's annual performance evaluation process. The Compensation Committee has delegated to our Grant Committee, which consists of our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, authority to approve stock option and restricted stock unit awards to non-executive officers, subject to established guidelines. The purpose of this delegation is to provide administrative flexibility to recognize new hires and promotions or achievements for employees below the level of executive officer. The Compensation Committee approves all equity awards granted to non-executive officers that are not within the guidelines established for the Grant Committee. The Compensation Committee also reviews all equity awards approved by the Grant Committee.

The agendas for meetings of the Compensation Committee are determined by the Chair with the assistance of members of our Human Resources and Legal Departments. Compensation Committee meetings are attended by the Chief Executive Officer, the Chief Legal Officer, the Corporate Vice President, Human Resources and other members of management in the Human Resources and Legal Departments. The Compensation Committee also meets in executive sessions without any members of management present. The Chair reports the Compensation Committee's decisions and recommendations on executive compensation to the Board of Directors.

Finance Committee

The Finance Committee consists of Mr. Donald L. Lucas, as Chair, and Messrs. Chao, Delfassy and Edwards. The Finance Committee assists the Board with its oversight responsibilities regarding financial matters, including by reviewing our corporate capital structure, material transactions and investments to assess their impact on our strategic plans and business operations. The Finance Committee also assists the Board in discharging its responsibilities regarding oversight of the development and implementation of Spansion's business strategies.

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Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Mr. Roberson, as Chair, Ms. Hart and Mr. Stich, each of whom was determined by the Board of Directors to be independent. Mr. Chao and Ms. Hart each served on the Nominating and Corporate Governance Committee until September 20, 2007, Mr. Chao served as Chair until Mr. Roberson was appointed as Chair on March 16, 2007 and Ms. Hart was reappointed on March 20, 2008. 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. For a detailed description of the process for nomination of director candidates by stockholders, please see information under the heading *Consideration of Stockholder Nominees for Director* on page 10. 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.

Strategy Committee

The Strategy Committee, which had authority to monitor and review material strategic transactions, including any potential mergers, acquisitions, consolidations, joint ventures or similar transactions, and to make recommendations to the Board regarding such transactions, was established in March 2007 and dissolved in March 2008.

Bylaws and Committee Charters

You can access Spansion's bylaws and the charters of our Audit, Compensation, Finance and Nominating and Corporate Governance Committees 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 you with 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.

Compensation Committee Interlocks and Insider Participation

The individuals who served as members of the Compensation Committee during fiscal 2007 were Ms. Hart and Messrs. Chao, Delfassy, Edwards, Roberson and Stich. No member of the Compensation Committee was at any time during fiscal 2007 or at any other time an officer or employee of Spansion, and no member had any relationship with Spansion requiring disclosure under Item 404 of Regulation S-K. None of our executive officers has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during fiscal 2007.

Table of Contents**DIRECTOR COMPENSATION**

Spansion uses a combination of cash and equity-based incentive compensation to attract and retain qualified candidates to serve on the Board of Directors. Our independent director compensation is determined by the Board of Directors acting upon the recommendation of the Compensation Committee. In setting director compensation, our Board of Directors considers, among other things, the significant amount of time that directors spend in fulfilling their duties, the skill-level required by directors and competitive market data provided by Hewitt Associates, an independent compensation consultant. Directors who are also employees of Spansion, or who are otherwise determined to not be independent, receive no additional compensation for service as a director. We may reimburse any of our directors and, in some circumstances, spouses who accompany directors, for travel, lodging and related expenses they incur in attending Board of Directors and Board committee meetings.

Cash Compensation

During fiscal 2007, our independent directors received fees for their services as set forth in the table below. Board retainer and meeting fees have not changed for fiscal 2008. All annual cash compensation is paid in quarterly installments, in advance.

| | |
|---|------------|
| Annual Retainer (1) | \$ 60,000 |
| Additional Annual Retainers | |
| Chairperson | \$ 100,000 |
| Audit Committee Chair | \$ 15,000 |
| Compensation Committee Chair | \$ 7,500 |
| Finance Committee Chair | \$ 7,500 |
| Nominating and Corporate Governance Committee Chair | \$ 7,500 |
| Strategy Committee Chair | \$ 7,500 |
| Lead Independent Director | \$ 30,000 |
| Fees Per Board Meeting in Excess of Eight Board Meetings (2) | \$ 2,000 |
| Fees Per Committee Meeting in Excess of Twelve Committee Meetings (2) | \$ 2,000 |

- (1) All independent directors, including directors serving as Chairperson, receive this annual retainer.
- (2) If in any calendar year an independent director is required to and does attend (i) more than eight meetings of our Board of Directors, such director will receive \$2,000 for each Board meeting attended in excess of eight, or (ii) more than twelve meetings of a specific Board committee on which he or she serves, such director will receive \$2,000 per such Board committee meeting in excess of twelve.

Equity-Based Incentive Compensation

Each independent director received an initial stock option award exercisable for 20,000 shares of our Class A Common Stock and an initial restricted stock unit award of 20,000 units that convert upon vesting into 20,000 shares of our Class A Common Stock. These awards were made at the time of our initial public offering of our Class A Common Stock in December 2005 or, if later, upon the director's appointment to our Board of Directors. In addition, an independent director who serves as Chairperson of the Board receives an additional initial restricted stock unit award of 10,000 units that convert upon vesting into 10,000 shares of our Class A Common Stock.

For each year of continued service, independent directors receive an annual stock option award exercisable for 10,000 shares of our Class A Common Stock and an annual restricted stock unit award of 10,000 units that convert upon vesting into 10,000 shares of our Class A Common Stock. In addition, for each year of continued service, an independent director serving as the Chairperson of the Board shall receive an additional annual stock option award exercisable for 5,000 shares of our Class A Common Stock and an additional annual restricted

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stock unit award of 5,000 units that convert upon vesting into 5,000 shares of our Class A Common Stock. All annual equity-based compensation is awarded to independent directors on the date of the annual stockholders meeting. At the annual stockholders meeting, each independent director who (i) joined our Board of Directors at or prior to the last annual stockholders meeting, or (ii) joined our Board of Directors after the last annual stockholders meeting but attended at least three meetings of the full Board of Directors, is entitled to receive an annual equity award at that annual stockholders meeting.

All stock option and restricted stock unit awards granted to our independent directors vest 25% on the anniversary of the grant date and the remainder vests in equal installments quarterly over the remaining 36 months, except for the stock option and restricted stock unit awards granted to our independent directors in December 2005 at the time of the initial public offering of our Class A Common Stock. Those awards vested 25% on January 28, 2007 and the remainder vests in equal installments quarterly over the remaining 36 months beginning January 28, 2007.

Director Summary Compensation Table for Fiscal 2007

The following table provides information concerning compensation expense paid to or earned by each of our independent directors for fiscal 2007. Dr. Cambou, our President and Chief Executive Officer, does not receive additional compensation for his services as a director.

| Name (1) | Fees Earned or Paid in Cash (6) (\$) | Stock Awards (7)(8)(9) (\$) | Option Awards (7)(8)(9) (\$) | Total (\$) |
|---------------------------|--|-----------------------------------|------------------------------------|---------------|
| David K. Chao | 61,875 | 75,137 | 41,258 | 178,270 |
| Gilles Delfassy (2) | 15,000 | 11,342 | 4,904 | 31,246 |
| Robert L. Edwards | 71,250 | 72,108 | 36,539 | 179,897 |
| Patti S. Hart | 67,500 | 75,137 | 41,258 | 183,895 |
| Donald L. Lucas (2) | 41,875 | 17,013 | 4,904 | 63,792 |
| David E. Roberson | 84,375 | 75,137 | 41,258 | 200,770 |
| John M. Stich | 65,625 | 72,509 | 36,742 | 174,876 |
| Toshihiko Ono (3) (4) | | | | |
| Hector de J. Ruiz (3) (5) | | | | |

- (1) Bertrand F. Cambou, Spansion's President and Chief Executive Officer, is not included in this table as he is an employee of Spansion and thus receives no compensation for his services as director. The compensation received by Dr. Cambou as an employee of Spansion is shown in the Fiscal 2007 Summary Compensation Table on page 33.
- (2) Messrs. Delfassy and Lucas were elected to Spansion's Board of Directors on September 20, 2007.
- (3) Mr. Ono and Dr. Ruiz were non-independent directors and consequently received no compensation for their services as a director.
- (4) Mr. Ono resigned from the Board of Directors on March 16, 2007.
- (5) Dr. Ruiz resigned from the Board of Directors on September 20, 2007.
- (6) Mr. Lucas earned \$1,875 for his service as Chair of the Finance Committee during the fourth quarter of fiscal 2007 but did not receive payment until February 2008.
- (7) On May 29, 2007, Messrs. Chao and Roberson and Ms. Hart received their annual stock option award exercisable for 10,000 shares of our Class A Common Stock and a restricted stock unit award of 10,000 units that convert upon vesting into 10,000 shares of our Class A Common Stock. The grant date fair value computed in accordance with FAS 123(R) of the fiscal 2007 annual stock option awards and restricted stock unit awards was \$49,817 and \$107,300, respectively.

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- (8) As of December 30, 2007, the aggregate number of shares of Class A Common Stock underlying stock option and restricted stock unit awards for each of our independent directors was:

| Name (1) | Aggregate Number of Shares Underlying Stock Options | Aggregate Number of Shares Underlying Restricted Stock Units |
|-------------------|--|---|
| David K. Chao | 30,000 | 21,250 |
| Gilles Delfassy | 20,000 | 20,000 |
| Robert L. Edwards | 20,000 | 15,000 |
| Patti S. Hart | 30,000 | 21,250 |
| Donald L. Lucas | 20,000 | 30,000 |
| David E. Roberson | 30,000 | 21,250 |
| John M. Stich | 20,000 | 15,000 |
| Toshihiko Ono | | |
| Hector de J. Ruiz | | |

- (9) Reflects the grant date fair value of each stock option and restricted stock unit award computed in accordance with FAS 123(R). The assumption used in valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the fiscal year ended December 30, 2007, filed with the Securities Exchange Commission on February 28, 2007. These amounts do not correspond to the actual value that will be recognized by the Named Executive Officers.

Table of Contents**SECURITY OWNERSHIP****Security Ownership of Certain Beneficial Owners**

The following table sets forth the beneficial owners of more than five percent of the outstanding shares of Spansion Common Stock as of March 31, 2008. This information is based upon our records and other information available from outside sources. We are not aware of any other beneficial owner of more than five percent of any class of Spansion Common Stock. Except as otherwise indicated, to our knowledge, each person has sole investment and voting power with respect to the shares shown as beneficially owned.

| Name and Address of Beneficial Owner | Title of Class | Number of Shares Beneficially Owned | Percent of Class Beneficially Owned (1) |
|--|-----------------------|--|--|
| Fujitsu Microelectronics Limited (2) Shinjuku Daiichi Seimei Building, 2-7-1 Nishi-Shinjuku, Shinjuku-ku Tokyo 163-0701, Japan | Class A | 18,352,934 | 11.59% |
| Prudential Financial, Inc. (3) (4) 751 Broad Street Newark, NJ 07102-3777 | Class A | 15,311,456 | 9.67% |
| Ameriprise Financial, Inc. (5) (6) 145 Ameriprise Financial Center Minneapolis, MN 55474 | Class A | 15,262,314 | 9.63% |
| FMR LLC (7) (8) 82 Devonshire Street Boston, MA 02109 | Class A | 14,135,029 | 8.92% |
| AMD Investments, Inc. (9) One AMD Place Sunnyvale, CA 94088 | Class A | 14,039,910 | 8.86% |
| Donald Smith & Co., Inc. (10) 152 West 57 th Street New York, NY 10019 | Class A | 13,507,800 | 8.53% |
| Janus Capital Management LLC (11) (12) (13) 151 Detroit Street Denver, CO 80206 | Class A | 7,948,434 | 5.02% |

(1)

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Based on 158,323,770 shares of Class A Common Stock and one share of Class C Common Stock outstanding as of March 31, 2008. Calculated in accordance with the rules of the Securities Exchange Act of 1934, as amended.

- (2) The Class A Common Stock information is based on information set forth in a Schedule 13D/A filed with the Securities and Exchange Commission on March 24, 2008. Fujitsu Microelectronics Limited is the holder of the single outstanding share of Class C Common Stock, and therefore holds 100 percent of the Class C Common Stock.
- (3) Based on information set forth in a Schedule 13G/A filed with the Securities and Exchange Commission on February 6, 2008. According to the Schedule 13G/A, Prudential Financial, Inc. has sole voting power with respect to 2,950,600 shares, shared voting power with respect to 11,941,573 shares, sole dispositive power with respect to 2,950,600 shares and shared dispositive power with respect to 12,360,856 shares.
- (4) Prudential Financial, Inc. has the power to direct the voting and disposition of the securities held by Jennison Associates LLC.
- (5) Based on information set forth in a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2008. According to the Schedule 13G, Ameriprise Financial, Inc. has shared voting power with respect to 140,470 shares and shared dispositive power with respect to 15,262,314 shares.

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- (6) Ameriprise Financial, Inc. has the power to direct the voting and disposition of the securities held by RiverSource Funds and RiverSource Investments LLC.
- (7) Based on information set forth in a Schedule 13G filed with the Securities and Exchange Commission on March 10, 2008.
- (8) Edward C. Johnson 3d and FMR LLC, have the power to direct the disposition of the securities held by Fidelity Management & Research Company.
- (9) Based on information set forth in a Schedule 13D/A filed with the Securities and Exchange Commission on November 28, 2006 and in Forms 4 filed with the Securities and Exchange Commission on February 22, 2007, February 26, 2007 and February 28, 2007. AMD Investments, Inc. is a wholly owned subsidiary of AMD (U.S.) Holdings, Inc., which is a wholly owned subsidiary of Advanced Micro Devices, Inc. (AMD). AMD (U.S.) Holdings, Inc. and AMD are indirect beneficial owners of the reported securities.
- (10) Based on information set forth in a Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2008. According to the Schedule 13G/A, Donald Smith & Co., Inc. has sole voting power with respect to 10,144,000 shares and sole dispositive power with respect to 13,507,800 shares.
- (11) Based on information set forth in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2008. According to the Schedule 13G, Janus Capital Management LLC has sole voting power with respect to 7,948,434 shares and sole dispositive power with respect to 7,948,434 shares.
- (12) Janus Capital Management LLC (Janus Capital) is the investment adviser of Janus Growth and Income Fund (Janus Growth) and consequently has voting control and investment discretion over securities held by Janus Growth. Janus Capital therefore may be deemed to be the beneficial owner with sole voting power and sole dispositive power with respect to such securities.
- (13) Janus Capital indirectly owns Enhanced Investment Technologies LLC (INTEC) and Perkins, Wolf, McDonnell and Company, LLC (Perkins Wolf). Due to this ownership structure, holdings for Janus Capital, Perkins Wolf and INTECH are aggregated for the purposes of the Schedule 13G filed on February 14, 2008. Janus Capital therefore may be deemed to be the beneficial owner with sole voting power and sole dispositive power with respect to such securities.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information known to us with respect to beneficial ownership of Spansion Class A Common Stock, as of March 31, 2008, for our current directors and the nominees for election as directors, each of our executive officers listed in the Fiscal 2007 Summary Compensation Table on page 33, and all of our directors and executive officers as a group. This ownership information is based upon information provided by the individuals.

| Name (1) | Shares Currently Owned | Shares Acquirable Currently or Within 60 Days | Aggregate Shares Beneficially Owned (2) | Percent of Class Beneficially Owned (2)(3) |
|--|------------------------|---|---|--|
| Bertrand F. Cambou | 121,608 | 199,331 | 320,939 | * |
| David K. Chao | 10,000 | 17,500 | 27,500 | * |
| Gilles Delfassy | | | | |
| Robert L. Edwards | 6,250 | 6,250 | 12,500 | |
| Boaz Eitan | 7,905,021 | | 7,905,021 | 4.99% |
| Patti S. Hart | 32,000 | 17,500 | 49,500 | * |
| Donald L. Lucas | | | | |
| David E. Roberson | 18,000 (4) | 17,500 | 35,500 | * |
| John M. Stich | 16,250 (5) | 6,250 | 22,500 | * |
| James E. Doran | 29,650 | 102,759 | 132,409 | * |
| Thomas T. Eby | 23,721 | 99,420 | 123,141 | * |
| Ahmed Nawaz | 3,909 | 33,937 | 37,846 | * |
| Dario Sacomani | | 96,562 | 96,562 | * |
| All directors and executive officers as a group (14 persons) | 8,179,983 | 666,331 | 8,846,314 | 5.58% |

* Less than one percent.

- (1) The address of each beneficial owner is 915 DeGuigne Drive, Sunnyvale, CA 94085-3836.
- (2) The number and percentage of shares beneficially owned is determined under the rules of the Securities and Exchange Commission, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any share which the individual has the right to acquire within 60 days of March 31, 2008, through the exercise of any stock option or the vesting of any restricted stock unit. Unless otherwise indicated in the footnotes, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.
- (3) Percent of class beneficially owned is based on 158,323,770 shares of Spansion Class A Common Stock outstanding as of March 31, 2008.
- (4) Represents the direct beneficial ownership of 8,000 shares and the indirect beneficial ownership of 10,000 shares that are held in an IRA owned by Mr. Roberson.
- (5) Represents the direct beneficial ownership of 6,250 shares and the indirect beneficial ownership of 10,000 shares that are held by Mr. Stich's family LLC.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, 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. Their initial report must be filed using the Securities and Exchange Commission's Form 3 and they must report subsequent stock purchases, sales, option exercises and other changes using the Securities and Exchange Commission's 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 Securities and Exchange Commission allows delayed reporting at year-end on the Securities and Exchange Commission's Form 5. Officers, directors and persons who beneficially own more than ten percent of a registered class of our equity securities are required by Securities and Exchange Commission 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.

Based solely on our review of these reports and written representations from our directors and executive officers, we believe that during fiscal 2007, each of Spansion's directors, executive officers and ten percent security-holders complied with all applicable Section 16(a) filing requirements.

EXECUTIVE OFFICERS

Bertrand F. Cambou, age 52, has served as our President and Chief Executive Officer since July 2003. From July 2003 until November 2005, he served as a member of Spansion LLC's Board of Managers. Since November 2005, he has served as a member of our Board of Directors. Beginning in January 2002 until December 2005, he served as a vice president of AMD, first as group vice president of their memory group, and later as an executive vice president. Dr. Cambou was chief operating officer and co-president of Gemplus International S.A. from June 1999 until January 2002. Also during this time, he was a board member of Gemplus International S.A. and of Ingenico Ltd. Dr. Cambou's career includes a 15-year tenure at Motorola Inc. where he held various management positions including senior vice president and general manager of the Networking and Computing System Group as well as chief technical officer of the Semiconductor Sector. Dr. Cambou received his engineering degree from Supelec, Paris, and his doctorate in electrical engineering from Paris XI University. He is the author of 15 U.S. patents.

James E. Doran, age 59, has served as our Executive Vice President and Chief Operating Officer since February 2006. He served as Executive Vice President of Group Operations from April 2004 until February 2006. From July 2003 through April 2004, Mr. Doran was Spansion LLC's Group Vice President of Worldwide Technology Development and Manufacturing. Mr. Doran served as a member of Spansion LLC's Board of Managers from July 2003 until November 2005, and served as a member of our Board of Directors from November 2005 until consummation of Spansion's initial public offering in December 2005. As Executive Vice President and Chief Operating Officer, he is responsible for worldwide operations, business processes and infrastructure. From March 2001 until June 2003, Mr. Doran served as vice president of worldwide technology development and manufacturing for AMD's memory group. Prior to that, Mr. Doran was vice president and general manager of a German subsidiary of AMD from September 1999 until March 2001. Prior to September 1999, Mr. Doran served as vice president, Fab 25 and earlier as vice president, Submicron Development Center (SDC) Operations. Mr. Doran joined AMD in 1990 as director of the SDC. Before joining AMD, Mr. Doran was vice president of operations for Paradigm Semiconductor and a fabrication facility manager at Intel Corporation. Mr. Doran holds a bachelor's degree in physics from Northwestern University and a master's degree in physics from the University of Wisconsin.

Thomas T. Eby, age 47, has served as our Executive Vice President, Consumer, Set Top Box and Industrial Division since September 2007. He is responsible for the division's marketing, product and platform engineering,

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infrastructure development and program management functions. From October 2005 until September 2007, Mr. Eby served as our Executive Vice President and Chief Marketing and Sales Officer, and from January 2005 until October 2005, he served as our Executive Vice President and Chief Marketing Officer. From July 2003 until December 2004, he was our 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.

Robert C. Melendres, age 43, has served as our Executive Vice President, Corporate Development and Chief Legal Officer since January 2007. From February 2006 until January 2007, he served as our Executive Vice President, Corporate Development, General Counsel and Corporate Secretary. He was appointed as Spansion's Corporate Secretary in March 2005. He served as our Corporate Vice President, Corporate Development and General Counsel from January 2005 until February 2006. From July 2002 until January 2005, Mr. Melendres served at AMD in various management positions responsible for business development, most recently as the corporate vice president, business development. Prior to joining AMD, Mr. Melendres served in various senior management positions, including president and general counsel of WebGain, Inc. from July 2000 until July 2002. He also served as director of worldwide contracts and business practices for IBM Corp., and IBM legal counsel from June 1993 until July 2000. Mr. Melendres holds a bachelor's degree in economics from the University of California at Los Angeles and a juris doctorate from Harvard Law School.

Ahmed Nawaz, age 58, has served as our Executive Vice President, Wireless Solutions Division since November 2006. He is responsible for the division's marketing, platform engineering, infrastructure development and program management functions. Prior to joining Spansion, Mr. Nawaz was a 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 design, engineering, marketing and general management positions in Texas Instruments Incorporated's semiconductor group. 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.

Dario Sacomani, age 51, has served as our Executive Vice President and Chief Financial Officer since February 2006. From June 2002 until December 2005, he was employed at Richardson Electronics, Ltd., where he served as chief financial officer, senior vice president and board director from June 2002 until July 2005. Prior to Richardson Electronics, Mr. Sacomani was senior vice president, chief financial officer and treasurer of ON Semiconductor, a spin-off of Motorola, Inc., from August 1999 until April 2002. Mr. Sacomani also spent 18 years at Motorola in several finance positions within Motorola's Semiconductors Products Sector, including as vice president and group controller of the Semiconductor Components Group.

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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 executives. Throughout this discussion, those individuals named in the Fiscal 2007 Summary Compensation Table on page 33 are referred to as our Named Executive Officers and the Compensation Committee of the Board of Directors is referred to as the Committee.

Roles and Responsibilities

The role of the Committee, as described on page 14, 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 executive officers other than the Chief Executive Officer.

The Committee is authorized to engage its own independent advisors to assist in carrying out its responsibilities. During fiscal 2007, the Committee engaged Hewitt Associates (Hewitt) as its independent compensation consultant to provide advice on matters related to executive compensation and general compensation programs. The Committee, at its discretion, may replace Hewitt or hire additional consultants at any time. Hewitt is independent from Spansion because it does not provide any other services to Spansion and receives compensation from Spansion only for services it provides to the Committee. Hewitt's engagement includes gathering and analyzing data, and reviewing and advising on principal aspects of executive and non-employee director compensation. This includes base salaries, bonuses, and equity awards for executive officers, and cash compensation and equity awards for non-employee directors.

At the Committee's invitation, Hewitt attended all of the Committee's meetings held during fiscal 2007. Hewitt provided independent expertise on executive compensation issues, including more specifically:

Composition of the group of publicly traded semiconductor industry companies with which we compete for talent (collectively, the Compensation Peer Group);

Competitive market pay analysis for executive officers and directors;

Executive compensation strategy and program design, including pay philosophy, peer group selection, incentive design and policies and terms related to severance and change of control arrangements; and

Impact of pertinent regulations on executive compensation and benefit programs.

Compensation Program Philosophy and Objectives

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Spansion has a market-based pay for performance compensation philosophy designed to both attract and retain talented executive officers while supporting our business strategy. In line with that philosophy, a significant percentage of the total potential compensation for our executive officers is performance-based. We

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have no pre-established policy or target for allocating between either 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 and level of an executive officer's compensation.

The compensation program for our 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 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.

Setting Compensation

Generally, we set compensation for our 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 for fiscal 2007 are set forth in the Fiscal 2007 Summary Compensation Table on page 33.

Competitive Market Data

In September 2007, based on the review and recommendations presented by Hewitt, and in consultation with Hewitt, the Committee reviewed and approved a revised Compensation Peer Group to be used for benchmarking and for setting executive compensation for fiscal 2008. To determine the appropriate Compensation Peer Group, the Committee considered companies within the semiconductor industry that have revenue, 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, six companies (Advanced Micro Devices, Inc.; Agere Systems Inc.; Applied Materials, Inc.; Broadcom Corporation; Freescale Semiconductor; and Micron Technology, Inc.) were removed from our prior Compensation Peer Group and two companies (Amkor Technology, Inc. and Cypress Semiconductor Corporation) were added to the group. The Compensation Peer Group established for fiscal 2008 is as follows:

| | | |
|-----------------------------------|---------------------------------|------------------------|
| Altera Corporation | Juniper Networks, Inc. | Novellus Systems, Inc. |
| Amkor Technology, Inc. | KLA-Tencor Corporation | NVIDIA Corporation |
| Analog Devices, Inc. | Lam Research Corporation | ON Semiconductor Corp. |
| Atmel Corporation | Linear Technology Corporation | SanDisk Corporation |
| Cypress Semiconductor Corporation | LSI Corporation | Xilinx, Inc. |
| Fairchild Semiconductor | Maxim Integrated Products, Inc. | |

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National Semiconductor Corporation

Total compensation targets for our Named Executive Officers are set between the 50th and 60th percentiles for compensation paid to similarly situated executives in the Compensation Peer Group, taking into consideration the targets for base salary, bonus and equity awards. We set these targets 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. As part of our annual performance review process, total compensation targets

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were adjusted for our Named Executive Officers based on the 2008 Compensation Peer Group. In most cases, compensation targets were reduced. Our incentive compensation, including cash and equity, is structured so that when our corporate performance meets or exceeds our established objectives, executive officers have an opportunity to receive incentive compensation greater than comparable market targets. When our corporate performance does not meet our established objectives, executive officers receive incentive compensation that is generally below comparable market targets. For fiscal 2007, total compensation for our Named Executive Officers was well below our collective compensation targets, primarily as a result of below target bonus payments and equity awards as most performance targets for short-term performance-based incentive compensation were not met.

Performance Evaluations

We conduct annual performance evaluations of all Spansion employees, including our Named Executive Officers. As part of the executive officer evaluation, we consider a number of performance criteria, including among other things, the 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 organization.

The Chief Executive Officer evaluates the performance of each of the other executive officers, including 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.

Compensation Review

In preparation for decisions regarding compensation actions for each of the Named Executive Officers for the upcoming year, the Committee reviews tally sheets that reflect total current compensation, equity awards (vested and unvested) and benefits information. In addition, the Committee considers each individual'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 executive officers, taking into consideration the Chief Executive Officer's compensation recommendations for each of the other executive officers. The final compensation packages for all Named Executive Officers, including the Chief Executive Officer, contain the components described below.

2007 Executive Compensation Components

Spansion seeks to achieve the compensation program objectives stated 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 practices with respect to each of these five principal compensation components, as well as other components of compensation, are set forth below.

Table of Contents*Base Salary*

Spansion provides base salaries to compensate 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 are 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. In April 2007, all Named Executive Officers, excluding Mr. Nawaz, who joined Spansion in November 2006, were eligible for and received a merit increase. Merit increases ranged from six percent to eight percent, resulting in competitive pay levels relative to the 2007 Compensation Peer Group. The annual base salaries as of the end of fiscal 2006 and fiscal 2007 for each of our Named Executive Officers were as follows:

| | Base Salary as of December 31, 2006 | Base Salary as of December 30, 2007 |
|--------------------|--|--|
| Bertrand F. Cambou | \$ 675,000 | \$ 715,500 |
| Dario Sacomani | \$ 375,000 | \$ 405,000 |
| James E. Doran | \$ 425,000 | \$ 459,000 |
| Thomas T. Eby | \$ 388,241 | \$ 411,536 |
| Ahmed Nawaz | \$ 425,000 | \$ 425,000 |

Short-Term Performance-Based Incentive Compensation

Our executive officers have 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. At the beginning of each fiscal year, the Committee approves the target cash bonus opportunities and objectives for that year relevant to the STIP. Our STIP is referred to as the Pay for Performance Plan.

The target bonus opportunity for each executive officer is based on the individual's position within Spansion and competitive data from the Compensation Peer Group, and is established as a percentage of base salary. For our Named Executive Officers, generally, awards are targeted between the 50th and 60th percentiles of bonus awards made to similarly situated individuals in the Compensation Peer Group. STIP payouts are contingent upon Spansion's performance as measured against the pre-determined annual corporate objectives approved by the Committee. For fiscal 2007, approximately 80 percent of our Chief Executive Officer's, and approximately 70 percent of the other Named Executive Officers', bonus opportunity is based directly on Spansion's achievement relative to these pre-determined annual objectives for specific metrics that have been approved by the Committee. If these objectives are achieved, the remainder of the bonus opportunity for the executive officer is based on his individual performance, recognizing achievement against other critical objectives. If none of the annual corporate performance objectives are achieved, no bonuses are paid, irrespective of the executive officer's performance. The Committee reviews and approves all recommended STIP payments for the executive officers.

Prior to the second quarter of fiscal 2007, the only corporate performance metric established by the Committee was Spansion's achievement of operating profit. In the second quarter of fiscal 2007, the Committee reassessed that metric and established additional corporate performance metrics to take into account market share and the sale of advanced technology products that are key to Spansion's future success. At that time, the Committee also set specific objectives for each metric. The objectives for each metric were set at performance levels that we believe are very difficult to achieve. The final corporate performance metrics for fiscal 2007, and their relative weighting out of 100 percent, were as follows:

Achieve breakeven on operating profit, including the effect of equity-based expense (70 percent weigh