

Spansion Inc.
Form DEF 14A
April 09, 2007
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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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Notes:

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April 12, 2007

Dear Stockholder:

On behalf of the Board of Directors, you are cordially invited to attend the 2007 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 29, 2007 at 12:00 p.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.

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 meeting. Voting by any of these methods will ensure your representation at the meeting.

We look forward to seeing you at the 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 ANNUAL MEETING OF STOCKHOLDERS

We will hold the Annual Meeting of Stockholders of Spansion Inc. at the Four Seasons Hotel, 2050 University Avenue, East Palo Alto, California, on Tuesday, May 29, 2007. The meeting will start at 12:00 p.m. local time. At the meeting, holders of our Common Stock will be asked to:

Elect two Class A directors to serve for a three-year term expiring at the 2010 annual meeting of stockholders;

Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year;

Approve the Spansion Inc. 2007 Equity Incentive Plan; and

Transact any other business that properly comes before the meeting and any adjournment thereof.

Only record holders of Common Stock at the close of business on April 6, 2007, the record date for the Annual Meeting, are entitled to notice of and to vote 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. 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 sign and return 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

Corporate Secretary

This proxy statement and accompanying proxy card are first being distributed on or about April 12, 2007

YOUR VOTE IS IMPORTANT.

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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

2007 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 12, 2007.

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, Ms. Patti S. Hart and Mr. John M. Stich, to serve as Class A Directors on our Board of Directors;

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

 Holders of Class A Common Stock, Class B Common Stock and Class C Common Stock, voting together as a single class, may vote on the approval of the Spansion Inc. 2007 Equity Incentive Plan.

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 for whom you are eligible to vote;

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

 FOR approval of the Spansion Inc. 2007 Equity Incentive Plan.

5. Q: WHO IS ENTITLED TO VOTE?

A: Stockholders as of the close of business on April 6, 2007, 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, approximately 134,674,603 shares of our Class A Common Stock, one share of our Class B Common Stock, one share of our Class C Common Stock (together, the Common Stock) and no shares of Class D Common Stock were outstanding. 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 of Spansion, located at 915 DeGuigne Drive, Sunnyvale, California 94088, 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 for whom you are eligible to vote, FOR the ratification of the appointment of our auditors and FOR the approval of our proposed 2007 Equity Incentive Plan. However, 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 wish to vote your shares in person at the Annual Meeting and they are held by your broker in street name, you must bring a letter from the broker to the meeting showing that you were the beneficial owner of the shares on the Record Date.

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 letter from the broker showing that you were the beneficial owner of your shares on the Record Date.

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.

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.

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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 will be elected as Class A directors. 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 and approval of the Spansion Inc. 2007 Equity Incentive Plan 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: Proxies 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, Chief Legal Officer, Corporate Development and Corporate Secretary, to vote on such matters at their discretion.

17. Q: WHEN ARE THE STOCKHOLDER PROPOSALS FOR THE 2008 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 2008 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 January 13, 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 29, 2008 and March 30, 2008. However, if our 2008 Annual Meeting is not within 30 days of May 29, 2008, 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 is included in this proxy statement beginning on page 13, including a description of the information that must be included in the stockholder notice.

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Our Board of Directors currently consists of seven 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 B Common Stock, voting together as a separate class, are entitled to elect one director to the Board (the Class B Director) and the holders of Class C Common Stock, voting together as a separate class, are entitled to elect one director to the Board (the Class C Director). AMD Investments, Inc., an indirect wholly owned subsidiary of Advanced Micro Devices, Inc. (AMD), as the sole holder of our Class B Common Stock and Fujitsu Limited (Fujitsu), as the sole holder of our Class C Common Stock, thus have the right to elect the Class B Director and the Class C Director, respectively. However, Fujitsu has indicated that it does not presently intend to appoint a representative of Fujitsu as the Class C director to fill the current vacancy created by the resignation of Mr. Toshihiko Ono from the Board in March 2007. The holders of Class A Common Stock, voting together as a separate class, are entitled to elect 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)
		Hector de J. Ruiz (Class B Director)
Class II	2007	Patti S. Hart (Class A Director)
		John M. Stich (Class A Director)
Class III	2008	Bertrand F. Cambou (Class A Director)
		David E. Roberson (Class A Director)

Election of Class II Directors

At the Annual Meeting, two directors will be elected for a three-year term, which expires at our 2010 Annual Meeting of Stockholders, until their successors are duly elected and qualified in accordance with our bylaws. The nominees, Ms. Patti S. Hart and Mr. John M. Stich, are presently members of our Board of Directors and serve as Class A Directors. See *Nominees* below. If either Ms. Hart or Mr. Stich 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 Ms. Hart and Mr. Stich as Class A Directors. Proxies received will be voted **FOR** the nominees named below, unless marked to the contrary.

Nominees

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

Patti S. Hart, age 51, 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

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executive officer of Excite@Home from April 2001 until March 2002. Excite@Home filed for bankruptcy protection in September 2001. 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, 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.

John M. Stich, age 65, 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., a leading provider of short-range wireless solutions, and Diodes Incorporated, a leading manufacturer and supplier of high quality discrete and analog semiconductors. In addition, Mr. Stich is a member of the Dallas/Taipei Sister City Committee, 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.

Other Directors

The following six directors whose terms of office do not expire in 2007 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:

Bertrand F. Cambou, age 51, 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 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 K. Chao, age 40, has served as a Class A Director since the consummation of Spansion's initial public offering in December 2005. Mr. Chao is a co-founder of Doll Capital Management, or DCM, a venture capital firm based in the Silicon Valley and has been a Managing General Partner 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.

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Robert L. Edwards, age 51, 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 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.

David E. Roberson, age 52, has served as a Class A Director since the consummation of our initial public offering in December 2005. Mr. Roberson is president and chief executive officer and is a member of the Board of Directors of Hitachi Data Systems. Mr. Roberson was named chief executive officer of Hitachi Data Systems effective April 2006, after serving as president and chief operating officer since April 2002. Mr. Roberson was appointed chief operating officer at Hitachi Data Systems in April 2000. 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.

Hector de J. Ruiz, age 61, has served as a member of Spansion LLC's Board of Managers since July 2003 and, since November 2005, has served as our Class B Director and as Chairman of our Board of Directors. Dr. Ruiz is currently the chairman of the board and chief executive officer of AMD. Dr. Ruiz joined AMD as president and chief operating officer in January 2000 and became AMD's chief executive officer in April 2002. Dr. Ruiz was appointed chairman of the board in April 2004. Before joining AMD, Dr. Ruiz served as president of the Motorola, Inc. Semiconductor Products Sector from 1997 to 1999. From 1991 to 1995, Dr. Ruiz was senior vice president and general manager of Motorola's paging and messaging businesses and in 1996 became executive vice president and general manager of those businesses. Dr. Ruiz joined Motorola in 1977, and from 1977 to 1991, he held various executive positions in Motorola's Semiconductor Products Sector. Before joining Motorola, Dr. Ruiz worked at Texas Instruments, Inc. from 1972 to 1977. Dr. Ruiz is a member of the Board of Directors of AMD and Eastman Kodak Company. Dr. Ruiz holds a bachelor's and master's degree in electrical engineering from the University of Texas, Austin and a doctorate degree in electronics from Rice University.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE

**FOR THE PROPOSED DIRECTOR NOMINEES FOR THE CURRENT YEAR FOR WHOM YOU
ARE ELIGIBLE TO VOTE. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL VOTE**

FOR THE PROPOSED NOMINEES FOR WHOM YOU ARE ELIGIBLE TO VOTE.

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CORPORATE GOVERNANCE

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 listing standards. On March 16, 2007, 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 51. 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 a result of this review, 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
Robert L. Edwards
Patti S. Hart

David E. Roberson
John M. Stich

In addition, the Board affirmatively determined that Bertrand F. Cambou is not independent because he is the President and Chief Executive Officer of Spansion; and that Dr. Ruiz is not independent because of his employment as chairman and chief executive officer of AMD, a company with an indirect wholly owned subsidiary which holds more than five percent of the outstanding shares of our Class A Common Stock and Class B Common Stock and which conducted a significant amount of business transactions during fiscal 2006 with us and our subsidiaries.

Spansion's Board of Directors is comprised of seven members, of which five are independent directors.

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

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.

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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.

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

Commitment to understand Spansion and its 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 of Spansion.

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 Nasdaq 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.

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.

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 Nasdaq listing standards.

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

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

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

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available to the Nominating and Corporate 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.

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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 Nasdaq 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 2008 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 2008 annual meeting, the notice must be delivered between February 29, 2008 and March 30, 2008. However, if our 2008 annual meeting is not within 30 days of May 29, 2008, 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;

The class and number of shares of stock owned beneficially or 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;

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The class and 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;

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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 of the Board of Directors 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 11. 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 class and number of shares of stock owned by himself or herself beneficially or of record.

Codes of Business Conduct and Ethics

The Board of Directors has adopted a code of conduct that applies to all directors and employees entitled Code of Business Conduct, which Spansion designed to help directors and employees resolve ethical and compliance issues encountered in the business environment. The Code of Business Conduct governs matters such as conflicts of interest, compliance with laws, confidentiality of company information, encouraging the reporting of any illegal or unethical behavior, fair dealing and use of company assets.

The Board of Directors has also adopted a Code of Ethics for the Chief Executive Officer, the Chief Financial Officer, the Corporate Controller and All Other Senior Finance Executives. The Code of Ethics governs matters such as financial reporting, conflicts of interest and compliance with laws, rules, regulations and Spansion's policies.

You can access Spansion's Code of Business Conduct and Code of Ethics at the Investor Relations Web page of our Web site 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 Web site is not incorporated by reference in, or considered to be a part of, this document.

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COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors

The Board of Directors held five regularly scheduled and special meetings during the 2006 fiscal year. All directors attended at least 75 percent of the meetings of the Board of Directors in fiscal 2006. The Board has Audit, Compensation, Nominating and Corporate Governance and Strategy Committees. The members of these committees and their chairs are recommended by the Nominating and Corporate Governance Committee and then appointed by the Board. The independent directors hold regularly scheduled sessions without any members of Spansion's management present. Ten such sessions of the independent directors were held in fiscal 2006. Spansion's directors are strongly encouraged to attend the Annual Meeting of Stockholders. Six of the seven members of our Board of Directors attended the 2006 Annual Meeting of Stockholders.

In March 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.

Audit Committee

The Audit Committee consists of Mr. Robert L. Edwards, as Chair, Mr. David K. Chao, Ms. Patti S. Hart and Mr. Roberson, each of whom was determined by the Board of Directors to be financially literate and independent. Mr. Roberson served as Chair of the Audit Committee until Mr. Edwards was appointed as Chair in March 2007. The Board of Directors has determined that Messrs. Edwards and Roberson are each an audit committee financial expert. The Audit Committee assists the Board with its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence and the performance of our internal audit function and the independent registered public accounting firm. The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm, which reports directly to the Audit Committee. The Audit Committee meets alone with our financial and legal personnel, our internal auditor and with our independent registered public accounting firm, who have free access to the Audit Committee at any time. The director of our Internal Audit Department reports directly to the Chair of the Audit Committee, confers regularly with our Chief Financial Officer and serves a staff function for the Audit Committee. The Audit Committee held thirteen meetings during fiscal 2006. All members of the Audit Committee attended at least 75 percent of the meetings of the Audit Committee in fiscal 2006, except for Mr. Edwards, who was appointed to the Audit Committee on December 19, 2006. No Audit Committee meetings were held in fiscal 2006 after Mr. Edwards' appointment to the Audit Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Mr. Roberson, as Chair, Mr. Chao, Ms. Hart and Mr. John M. Stich, each of whom was determined by the Board of Directors to be independent. Mr. Chao served as Chair of the Nominating and Corporate Governance Committee until Mr. Roberson was appointed as Chair in March 2007. The Nominating and Corporate Governance Committee assists the Board in discharging its 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

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stockholders at which directors are to be elected), the selection of candidates to fill any vacancies on 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 and management. In evaluating 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 in our industry and with relevant social policy concerns; ability to make independent analytical inquiries; academic expertise in an area of our operations; and practical and mature business judgment. The Nominating and Corporate Governance Committee also evaluates board members and nominees' service on the board of other public companies. For a detailed description of the process for nomination of director candidates by stockholders, please see page 7 above. 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. The Nominating and Corporate Governance Committee held eight meetings during fiscal 2006. All members of the Nominating and Corporate Governance Committee attended at least 75 percent of the meetings of the Nominating and Corporate Governance Committee in fiscal 2006, except for Mr. Stich, who was appointed to the Nominating and Corporate Governance Committee on December 15, 2006. No Nominating and Corporate Governance Committee meetings were held in 2006 after Mr. Stich's appointment to the Nominating and Corporate Governance Committee.

Compensation Committee

The Compensation Committee consists of Ms. Hart, as Chair, and Messrs. Chao, Edwards and Stich, each of whom was determined by the Board to be independent. Mr. Roberson served as a member of the Compensation Committee until March 2007. The Compensation Committee has the authority to determine the form and amount of compensation to be paid or awarded to all our executive officers and to all other employees as delegated from time to time by the Board of Directors. The Compensation Committee's responsibilities, among other things, include (i) overseeing the establishment of performance goals and objectives for the Chief Executive Officer, and evaluating the Chief Executive Officer's performance in light of those goals and objectives; (ii) overseeing the establishment by the Chief Executive Officer of performance goals and objectives for other executive officers, and evaluating the officers' performance in light of those goals and objectives; (iii) evaluating and approving compensation for the Chief Executive Officer, and reviewing and approving compensation recommendations for other executive officers; (iv) evaluating and approving all equity awards for executive officers; (v) reviewing and making recommendations to the Board with respect to the adoption and approval of, or amendments to, all umbrella cash-based plans and performance-based and equity-based compensation plans, and approval for submission to stockholders of all new stock option and equity compensation plans; (vi) providing oversight with respect to succession planning for the Chief Executive Officer and other executive officers; and (vii) reviewing and making recommendations to the Board with respect to all forms and amounts of compensation for members of