

Spansion Inc.
Form DEF 14A
April 03, 2006

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

(Amendment No. __)

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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(1) Amount Previously Paid:

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Notes:

April 6, 2006

Dear Stockholder:

On behalf of the Board of Directors, you are cordially invited to attend the 2006 Annual Meeting of Stockholders of Spansion Inc. to be held at the Four Seasons Hotel, 2050 University Avenue, East Palo Alto, California, on Friday, May 12, 2006 at 9:00 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.

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

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 Friday, May 12, 2006. The meeting will start at 9:00 a.m. local time. At the meeting, holders of our Common Stock will be asked to:

Elect one Class A director to serve for a three-year term expiring at the 2009 annual meeting of stockholders;

Elect one Class B director to serve for a three-year term expiring at the 2009 annual meeting of stockholders;

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

Transact any other business that properly comes before the meeting.

Only record holders of Common Stock at the close of business on March 27, 2006, 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 director, and only record holders of the Class B Common Stock are entitled to vote on the election of the Class B 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 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 6, 2006.

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

2006 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 6, 2006.

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 Mr. David K. Chao to serve as a Class A Director on our Board of Directors;

 Holders of Class B Common Stock may vote on the election of Dr. Hector de J. Ruiz to serve as a Class B Director on our Board of Directors;

 Holders of Class A Common Stock, Class B Common Stock, Class C Common Stock and Class D 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.

4. Q: HOW DOES THE BOARD 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; 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 27, 2006, 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 95,793,402 shares of our Class A Common Stock, one share of our Class B Common Stock, one share of our Class C Common Stock and 32,352,934 shares of our Class D Common Stock (together, the 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, 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.

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 and FOR the ratification of the appointment of our auditors. However, if your shares are held by your broker, you must instruct your broker how to vote on the stockholder proposals or your broker cannot vote on these items. For additional information, please see question 13 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 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.

13. 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.

14. Q: HOW ARE MATTERS PASSED OR DEFEATED?

A: The director nominee 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 B Common Stock will be elected as a Class A director and a Class B 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 and broker non-votes could prevent approval of a proposal where the number of affirmative votes, though a majority of the votes represented and cast, does not constitute a majority of the required quorum.

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 ON 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 of Corporate Development, General Counsel and Corporate Secretary, to vote on such matters at their discretion.

17. Q: WHEN ARE THE STOCKHOLDER PROPOSALS FOR THE 2007 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 2007 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 6, 2006. 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 11, 2007 and March 13, 2007. However, if our 2007 Annual Meeting is not within 30 days of May 12, 2007, to be timely, the notice by the stockholder must be 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 6, including a description of the information that must be included in the stockholder notice.

ITEM 1 ELECTION OF DIRECTORS**General**

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 vote for two directors to the board (the Class B Directors) and 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). 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 Directors and the Class C Director, respectively. 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	2006	Hector de J. Ruiz (Class B Director); David K. Chao (Class A Director)
Class II	2007	Robert J. Rivet (Class B Director); Patti S. Hart (Class A Director)
Class III	2008	Bertrand F. Cambou (Class A Director); Toshihiko Ono (Class C Director); David E. Roberson (Class A Director)

Election of Class I Directors

At the Annual Meeting, two directors will be elected for a three-year term expiring at our 2009 Annual Meeting of Stockholders and until their successors are duly elected and qualified. The nominees, Mr. David K. Chao and Dr. Hector de J. Ruiz, are presently members of our Board of Directors and serve as a Class A Director and as a Class B Director, respectively. See **Nominees** below. If either Mr. Chao or Dr. Ruiz 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 Mr. Chao as a Class A Director and that the holder of Class B Common Stock vote in favor of the election of Dr. Ruiz as a Class B Director. Proxies received will be voted FOR the nominees named below, unless marked to the contrary.

Voting Agreement

AMD has agreed with Spansion that, with respect to the election of Class A Directors, AMD will vote its shares of Class A Common Stock, or will cause such shares to be voted, in the same manner and percentage as the other holders of Class A Common Stock vote for Class A Directors that are up for election. This agreement will terminate at such time as Spansion's Class D Common Stock is converted into Class A Common Stock, which conversion will occur no later than December 15, 2006.

Nominees

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

David K. Chao, age 39, has served as a Class A Director of Spansion Inc. 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.

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

Hector de J. Ruiz, age 60, has served as a member of Spansion LLC's Board of Managers since July 2003 and, since November 2005, has served as a Class B Director and as Chairman of Spansion Inc.'s 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.

Other Directors

The following five directors whose terms of office do not expire in 2006 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 50, has served as Spansion's 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 Spansion Inc.'s 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 Supelec, Paris, and his doctorate in electrical engineering from Paris XI University. He is the author of 15 U.S. patents.

Patti S. Hart, age 50, has served as a Class A Director of Spansion Inc. since the consummation of Spansion's initial public offering in December 2005. Ms. Hart most recently served as chairman and CEO of Pinnacle Systems from March 2004 until August 2005. Prior to joining Pinnacle Systems in 2004, Ms. Hart was chairman and CEO 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 CEO 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 operation officer of Sprint's Long Distance Division. Ms. Hart is also a member of the board of directors for Korn Ferry International 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.

Toshihiko Ono, age 58, has served as the Chairman of Spansion LLC's Board of Managers since July 2003 and, since November 2005, has served as the Class C Director of Spansion Inc.'s Board of Directors. Since June 2004, Mr. Ono has also served as a board member of Fujitsu Limited and as a Corporate Executive Vice President of Fujitsu, and as the President of Fujitsu's Electronic Devices Business Group. From April 2003 to June 2004, Mr. Ono served as Fujitsu's Corporate Senior Vice President and as the Group President of Fujitsu's Electronic Devices Business Group and its LSI Group. Mr. Ono served as Fujitsu's Corporate Vice President and the Group President of its LSI group from June 2002 to April 2003. Prior to that, Mr. Ono served as the Group Executive Vice President of the Electronic Devices Group from April 2000 to June 2002. Mr. Ono began his career at Fujitsu in 1973, and served in various positions, including Group Senior Vice President and Group Executive Vice President of its LSI Group. Mr. Ono received a bachelor's degree in engineering from Chiba University, Japan.

Robert J. Rivet, age 52, has served as a member of Spansion LLC's Board of Managers since July 2003 and, since November 2005, has served as a Class B Director of Spansion Inc.'s Board of Directors. Mr. Rivet has also served as a director of various subsidiaries of Spansion. Mr. Rivet is AMD's Executive Vice President and Chief Financial Officer and since 2001 has served as director of various subsidiaries of AMD. Before joining AMD in October 2000, Mr. Rivet had served as Senior Vice President and Director of Finance of the Semiconductor Products Sector of Motorola from 1997 to 2000. Mr. Rivet joined Motorola in 1976 as a senior financial analyst and senior accountant, and from 1981 to 1997, he served in various positions in Motorola's semiconductor operations.

David E. Roberson, age 51, has served as a Class A Director of Spansion Inc. since the consummation of Spansion's 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 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.

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 2007 Annual Meeting must be stockholders of record when they give us notice, 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 not less than 60 nor more than 90 days before the anniversary date of the immediately preceding Annual Meeting. For our 2007 Annual Meeting, the notice must be delivered between February 11, 2007 and March 13, 2007. However, if our 2007 Annual Meeting is not within 30 days of May 12, 2007, 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:

his or her name, age, nationality, business and residence addresses;

his or her principal occupation and employment;

the class and number of shares of stock owned beneficially or of record by him or her;

any other information required to be disclosed in a proxy statement; and

the person'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:

their names and addresses;

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;

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 determine if the procedures in the bylaws have been followed, and if not, declare that the nomination be disregarded. If the nomination was 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 board 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 9. 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.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE

FOR THE PROPOSED DIRECTOR NOMINEES FOR WHOM YOU ARE

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**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

Spansion's Board of Directors is comprised of seven members, of which three members are independent directors, two directors were elected by AMD as the sole Class B stockholder, one director was elected by Fujitsu as the sole Class C stockholder, and one director is the Chief Executive Officer of Spansion. Spansion is exempt from the Nasdaq requirement that a majority of the board be comprised of independent directors for the first twelve months after December 16, 2005, the date that our Class A Common Stock was first listed on the Nasdaq National Market.

The Board of Directors has adopted a code of conduct that applies to all directors and employees entitled, Code of Conduct for Spansion LLC and its affiliated companies, which Spansion designed to help directors and employees resolve ethical and compliance issues encountered in the business environment. The Code of Conduct covers topics 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 covers topics such as financial reporting, conflicts of interest and compliance with laws, rules, regulations and Spansion's policies.

Each of the Committees described below has adopted a charter, which has been approved by the Board of Directors. The charter of the Audit Committee is attached hereto as *Appendix A*. You can access Spansion's bylaws, the latest Committee Charters, the Code of Conduct and the 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.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

Prior to our initial public offering in December 2005, Spansion's business was operated through Spansion LLC, a limited liability company. In connection with the initial public offering, Spansion LLC was reorganized into a corporate structure, pursuant to which Spansion Inc. became the indirect public holding company for Spansion LLC. Spansion Inc. was formed on November 22, 2005. There was one meeting of the Board of Directors between November 22, 2005, the date that Spansion Inc. was formed, and December 25, 2005, the end of fiscal 2005. All directors attended the meeting of the Board of Directors. There were no meetings of stockholders of Spansion Inc. in 2005. Spansion's directors are strongly encouraged to attend the Annual Meeting of Stockholders.

The Board of Directors has Audit, Compensation, and Nominating and Corporate Governance Committees. The founding members of the Board Committees and their Chairs were appointed by the Board of Directors. Future members of the Committees will be recommended by the Nominating and Corporate Governance Committee and then appointed by the Board annually. There were no meetings of Board Committees or executive sessions of the independent directors between November 22, 2005, the date that Spansion Inc. was formed, and December 25, 2005, the end of fiscal 2005.

Audit Committee. The Audit Committee was formed on December 15, 2005 and consists of Mr. David E. Roberson, as Chair, Mr. David K. Chao and Ms. Patti S. Hart, each of whom was determined by the Board of Directors to be financially literate and independent. The Board of Directors determined that Mr. Roberson was qualified to be, and would be, designated our 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, who reports directly to the 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 Company, with the approval of the Audit Committee, intends to hire an internal auditor in fiscal 2006. The internal auditor will report to the Audit Committee and to our Chief Financial Officer and will serve a staff function for the Audit Committee.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee was formed on December 15, 2005. The Nominating and Corporate Governance Committee consists of Mr. Chao as Chair, Ms. Hart and Mr. Roberson, each of whom was determined by the Board of Directors to be independent. 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 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 Committee looks for the following attributes, among others the 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 Committee also evaluates board members and nominees on the board of other public companies. For a detailed description of the process for nomination of director candidates by stockholders, please see page 6 above. The Committee will use the same standards to evaluate all director candidates, whether or not the candidates are proposed by stockholders.

Compensation Committee. The Compensation Committee was formed on December 15, 2005. The Compensation Committee consists of Ms. Hart, as Chair, Mr. Chao and Mr. Roberson each determined by the Board to be independent. 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) reviewing and approving the corporate goals and objectives relevant to Chief Executive Officer compensation and evaluating CEO performance in light of those goals and objectives, (ii) reviewing and approving the corporate goals and objectives relevant to non-CEO executive officer compensation, (iii) reviewing and making recommendations to the Board with respect to the adoption and approval of, or amendments to, all umbrella cash-based plans, incentive compensation plans and equity-based compensation plans and approving for submission to shareholders all new stock option and equity compensation plans, (iv) providing oversight with respect to succession planning for the CEO and other executive officers, and (v) reviewing and making recommendations to the Board with respect to all forms and amounts of compensation for members of the Board.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee who served from December 15, 2005, the date the Compensation Committee was formed, to December 25, 2005, the end of fiscal 2005, were Ms. Hart, as Chair, and Messrs. Chao and Roberson. No member of this committee was at any time during fiscal 2005 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 2005.

DIRECTORS COMPENSATION AND BENEFITS

Our non-employee independent directors are paid a \$60,000 annual retainer. The chair of our Audit Committee is paid an additional \$15,000 annual retainer and the chair of Spansion's Compensation Committee is paid an additional \$7,500 annual retainer. If in any calendar year a non-employee independent director is required to and does attend more than eight meetings of our Board of Directors, such director will be paid \$2,000 for each board meeting attended in excess of eight. In addition, if in any calendar year a non-employee independent director is required to and does attend more than twelve meetings of a specific board committee on which he or she serves, such director shall receive \$2,000 per such board committee meeting in excess of twelve. Each current non-employee independent director received in 2005 an initial stock option award exercisable for 20,000 shares of Class A Common Stock and a restricted stock unit award of 20,000 units that convert upon vesting into 20,000 shares of Class A Common Stock. The stock option and restricted stock unit awards vest as follows: 25% on January 28, 2007, and the remainder in equal installments quarterly over the remaining 36 months. For each year of continued service, the independent directors will receive an annual stock option award exercisable for 10,000 shares of Spansion's Class A Common Stock and an annual restricted stock unit award of 10,000 units that convert upon vesting into 10,000 shares of Class A Common Stock. 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 committee meetings.

Spansion's directors did not receive any cash compensation for their service in 2005.

PRINCIPAL STOCKHOLDERS

The following table shows each person or entity we know to be the beneficial owner of more than five percent (5.0%) or greater of any class of our 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 Owned	Percent of Class ⁽¹⁾
Advanced Micro Devices, Inc. (2)	Class A	48,529,402	50.7%
One AMD Place	Class B	1	100%
Sunnyvale, CA 94086			
Fujitsu Limited (3)	Class C	1	100%
Shiodome City Center	Class D (4)	32,352,934	100%
1-5-2 Higashi-Shimbashi, Minato-Ku, Tokyo 105-7123, Japan			
T. Rowe Price Associates, Inc. (5)	Class A	8,009,500	8.4%
100 E. Pratt Street Baltimore, MD 21202			

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- (1) Based on 95,793,402 shares of Class A Common Stock, one share of Class B Common Stock, one share of Class C Common Stock and 32,352,934 shares of Class D Common Stock outstanding as of March 15, 2006. Calculated in accordance with the rules of the Securities Exchange Act of 1934, as amended.
- (2) Based on information set forth in a Schedule 13D filed with the Securities and Exchange Commission on December 28, 2005. These shares are owned by AMD Investments, Inc., which is a wholly owned subsidiary of AMD (U.S.) Holdings, Inc., which is a wholly owned subsidiary of AMD. AMD (U.S.) Holdings, Inc. and AMD are indirect beneficial owners of the reported securities.
- (3) Based on information set forth in a Schedule 13D filed with the Securities and Exchange Commission on December 28, 2005.
- (4) The Class D Common Stock shall convert into shares of Class A Common Stock on a one-for-one basis on the earlier of December 15, 2006 or the date our Board of Directors determines it is in the best interests of Spansion and its stockholders to effect such conversion.
- (5) Based on information set forth in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2006. According to the Schedule 13G, T. Rowe Price Associates, Inc has sole voting power with respect to 1,034,700 shares and sole dispositive power with respect to 8,009,500 shares.

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 and AMD common stock beneficially owned as of March 15, 2006, by our current directors and the nominees for election as directors, by each of our executive officers listed in the Summary Compensation Table below, and by all of our directors and executive officers as a group. Except as otherwise indicated, to our knowledge, each person has sole investment and voting power with respect to the shares shown as beneficially owned. Ownership information is based upon information provided by the individuals. The address of each beneficial owner is 915 DeGuigne Drive, Sunnyvale, CA 94088.

Name	Shares of Spansion Class A		Shares of AMD	
	Common Stock		Common Stock	
	Beneficially Owned		Beneficially Owned	
	Amount and		Amount and	
	Nature of		Nature of	
	Beneficial	Percent	Beneficial	Percent
	Ownership (1)(2)	of Class (3)	Ownership (1)(4)	of Class (5)
Bertrand F. Cambou	78,575	*	214,415	*
David K. Chao				
Patti S. Hart	22,000	*		
Toshihiko Ono				
Robert J. Rivet			802,042	*
David E. Roberson				
Hector de J. Ruiz			2,848,532	*
James E. Doran	14,288	*	178,664	*
Thomas T. Eby	11,430	*	64,439	*
Amir Mashkoori	9,144	*	25,049(6)	*