

CYPRESS SEMICONDUCTOR CORP /DE/

Form 8-K

April 02, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

March 31, 2008

Date of Report (Date of earliest event reported)

CYPRESS SEMICONDUCTOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

1 10079
(Commission File Number)

94-2885898
(I.R.S. Employer
Identification No.)

198 Champion Court

San Jose, California 95134-1599

(Address of principal executive offices)

(408) 943-2600

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

.. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

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- “ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- “ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- “ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION

UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

As previously disclosed, on December 20, 2006, Cypress Semiconductor Corporation (Cypress) entered into a Guaranty (the Guaranty) with CIT Technologies Corporation (the Lessor) for the benefit of Grace Semiconductor USA, Inc. (the Lessee). As also previously disclosed, in December 2005 and December 2006, Cypress entered into strategic foundry agreements with an affiliate of the Lessee pursuant to which Cypress has licensed certain of its proprietary process technologies to the affiliate's Shanghai, China facility.

The Lessee has leased from Lessor certain semiconductor manufacturing equipment pursuant to a master lease between the Lessor and Lessee, and certain schedules thereto. Under the Guaranty, Cypress has agreed to an unconditional guarantee to the Lessor of the rental payments due under the master lease by the Lessee and a certain schedule thereto.

On March 31, 2008, Cypress entered into an additional Guaranty (the Additional Guaranty) with Lessor for the benefit of Lessee respecting additional equipment leased under the master lease and an additional schedule thereto. Under the Additional Guaranty, Cypress has agreed to an unconditional guarantee to the Lessor of the rental payments due under the master lease by the Lessee and the additional schedule thereto. The term of the lease for equipment leased in connection with the Additional Guaranty commences on Lessee's acceptance of the equipment as of April 1, 2008, and continues for 36 months following April 1, 2008. Under the Additional Guaranty, the guaranteed obligations of the Lessee, payable quarterly in advance, equal approximately \$864,325 for each quarter during the term, for an aggregate amount equal to approximately \$10.4 million over the term. If the Lessee fails to pay any of the quarterly payments, Cypress will be obligated to pay within 10 days of written demand from the Lessor such amounts. If Cypress fails to pay such amount, late interest will accrue at a rate of 9% per annum on any unpaid amounts.

In addition, under the Additional Guaranty, Cypress has agreed to obtain an irrevocable letter of credit in an initial amount of approximately \$7.9 million to secure the payments under the Additional Guaranty after demand has been made by the Lessor on Cypress. The amount available under the letter of credit will decline according to a schedule mutually agreed upon by Cypress and the Lessor during the term consistent with the quarterly reductions in the outstanding amounts under the master lease respecting the subject equipment.

Under the Guaranty and Additional Guaranty, if a default by Cypress occurs, the Lessor will be entitled to draw on the letter of credit. A default occurs if: (i) Cypress fails to pay any guaranteed amount when due, (ii) Cypress makes an assignment for the benefit of creditors, becomes insolvent, is subject to any bankruptcy, liquidation or similar reorganization proceeding, and, if not an voluntary event, such proceeding continues for 60 days, or (iii) the letter of credit ceases to be available or will not be renewed and Cypress has failed to replace the letter of credit with an alternative acceptable to Lessor within 30 days.

In connection with the Additional Guaranty and effective upon the Lessor's payment for, or Lessee's acceptance of, the subject leased equipment, Cypress was granted an option to purchase approximately 5.9 million ordinary shares of Grace Semiconductor Manufacturing Corporation, a Cayman Islands company and the parent of the Lessee.

The Additional Guaranty is the seventh in a series that Cypress intends to enter into from time to time in support of the Lessee's operations described above. After giving effect to the Additional Guaranty, at this time, Cypress has guaranteed an aggregate amount equal to approximately \$61 million pursuant to the arrangement with Lessee. Cypress does not currently expect the maximum amount of all such guaranteed equipment lease obligations in support of Lessee outstanding at any time to exceed the current amount. Cypress is under no obligation to guarantee any future rent payments on such equipment leases for the benefit of the Lessee and will do so only in its sole discretion.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CYPRESS SEMICONDUCTOR CORPORATION

Date: April 2, 2008

By: /s/ Brad W. Buss

Brad W. Buss
Executive Vice President, Finance and

Administration and Chief Financial Officer