

SPANSION

CONVERTIBLE NOTE TERM SHEET

SUMMARY OF TERMS AND CONDITIONS OF THE
EXIT FACILITY (CONVERTIBLE NOTE FACILITY)

*This Indicative Summary of Terms and Conditions (this “**Term Sheet**”) is for discussion purposes only. This Term Sheet does not constitute a commitment, a contract to provide a commitment, or an offer to enter into a contract or agreement to provide the credit facilities described herein. This Term Sheet does not attempt to describe all of the terms, conditions and requirements of the proposed facility, but outlines certain basic items around which the facility would be structured.*

Please be advised that this Term Sheet is for your exclusive and confidential use and that your receipt and retention of it shall constitute, without further action, an agreement by you that the contents will not be disclosed by you to any person or entity other than your employees, accountants, attorneys and other advisors with a need to know in order to evaluate the facility on your behalf and then only on a confidential basis.

PARTIES:

Issuer: Spansion Inc. (“**Issuer**” or “**Spansion**”)

Guarantors: Spansion LLC and each of Spansion’s other direct and indirect domestic subsidiaries (other than any domestic subsidiary that is owned directly or indirectly by a Foreign Subsidiary (as hereinafter defined) that is not a Guarantor) and each of Spansion’s Material Foreign Subsidiaries (as hereinafter defined) (the “**Guarantors**” and, collectively with the Issuer, the “**Obligors**”; the guarantee provided by the Guarantors, the “**Guarantee**”) provided that the obligation of any Material Foreign Subsidiary to provide a Guarantee shall be subject in all respects to the applicable Legal Limitations (as hereinafter defined), and any such Material Foreign Subsidiary will endeavor in good faith to use commercially reasonable efforts to demonstrate that adequate corporate benefit accrues to it and to take other steps reasonably required to avoid or mitigate such Legal Limitations.

For purposes of this Term Sheet,

“**Foreign Subsidiary**” means any direct or indirect subsidiary of Spansion organized outside of the United States.

“**Legal Limitations**” means any and all financial assistance, corporate benefit and other similar principles under any applicable law which prohibit, limit or otherwise restrict the ability of a Foreign

Subsidiary to provide a Guarantee, or require that the Guarantee (or any collateral pledged as security for such a Foreign Subsidiary's obligations under such a Guarantee) be limited by an amount or otherwise to the extent of such legal limitations.

“Material Foreign Subsidiary” means, at any date of determination, any Foreign Subsidiary (other than Spansion Japan Ltd. (**“Spansion Japan”**)) which, (i) owns inventory, equipment and real property with a book value comprising in the aggregate more than [10]% of book value of the inventory, equipment and real property owned by Spansion and its subsidiaries, taken as whole, as of the last day of the fiscal quarter most recently ended for which financial statements are available or (ii) has standalone EBITDA (excluding intercompany transfers) that is greater than [10]% of consolidated EBITDA of Spansion (excluding intercompany transfers) and its subsidiaries for the period of four fiscal quarters most recently ended for which financial statements are available provided that if all Foreign Subsidiaries other than Material Foreign Subsidiaries, (A) own inventory, equipment and real estate with a book value comprising in the aggregate more than [25]% of the book value of the inventory, equipment and real property owned by Spansion and its subsidiaries taken as whole, as of the last day of the fiscal quarter most recently ended for which financial statements are available, or (B) have standalone EBITDA (excluding intercompany transfers) that together amount to more than [25]% of the consolidated EBITDA of Spansion and its subsidiaries (excluding intercompany transfers) for the period of four Fiscal Quarters most recently ended for which financial statements are available, then Spansion shall designate additional Foreign Subsidiaries as **“Material Foreign Subsidiaries”** until the provisions of this proviso do not require any additional designation. [Bracketed text re: thresholds remains OPEN, under review and subject to further negotiation]

Guarantee:	Joint and several, unconditional, absolute and irrevocable guarantee of the payment and performance in full of all obligations under the Notes and the other Note Documents (the “Guarantee”).
Notes:	\$250,000,000 in aggregate original principal amount of 4.75% Convertible Senior Secured Notes due 2016.
Holders:	The holders of the Notes from time to time (collectively, the “Holders”).
Indenture Trustee:	[INSERT] (the “Trustee”); the Trustee may also be referred to as the “Collateral Agent” in certain Note Documents. [CHOICE OF TRUSTEE TO BE DISCUSSED]

CERTAIN PREPETITION

FACILITIES:

Prepetition FRN Notes & Guarantee.

Senior Secured Floating Rate Notes Due 2013 (the “**Prepetition FRN Notes**”, and the holders of the Prepetition FRN Notes, the “**Prepetition FRN Noteholders**”) issued by Spansion LLC pursuant to that certain Indenture, dated as of May 18, 2007, (as amended to date, the “**Prepetition FRN Indenture**”; the Prepetition FRN Notes, the Prepetition FRN Indenture, and each other “Indenture Document” as defined in the Prepetition FRN Indenture, the “**Prepetition FRN Documents**”; the facility evidenced by the Prepetition FRN Documents, the “**Prepetition FRN Facility**”), among Spansion LLC, the Issuer and other guarantors named therein, and Wells Fargo Bank, National Association, as trustee and collateral agent (together with [HSBC] as its successor in interest as trustee and collateral agent, and any hereafter duly appointed successor thereto, the “**Prepetition FRN Trustee**”).

Pursuant to the Prepetition FRN Indenture, the Issuer and its domestic subsidiaries (other than Spansion LLC) guaranteed all of the obligations and indebtedness of Spansion LLC under the Prepetition FRN Documents (the “**Prepetition FRN Guaranteed Obligations**”).

Prepetition Senior ABL Credit Facility.

The credit facility extended pursuant to that certain Credit Agreement, dated as of September 19, 2005, as subsequently amended, among Spansion LLC, as borrower, Bank of America, N.A., as agent (the “**Prepetition Senior ABL Agent**”), the lenders party thereto from time to time (the “**Prepetition Senior ABL Lenders**”), and other entities party thereto (in each case as amended, supplemented or otherwise modified prior to the date hereof, and including all exhibits and other ancillary documentation in respect thereof, the “**Prepetition Senior ABL Credit Facility**”).

EXIT FACILITIES:

Revolving Credit Facility:

A revolving credit facility up to \$100,000,000 (“**Revolving Facility**”; the revolving lenders providing the Revolving Facility, the “**Revolving Lenders**”), with a borrowing base supported by eligible accounts receivable and inventory. The Revolving Facility will be guarantied by Spansion and all direct and indirect subsidiaries of Spansion LLC (other than Foreign Subsidiaries) (collectively, the “**Revolver Guarantors**”), and the Revolving Facility and the related guarantees will be secured by a first priority security interest in accounts receivable, inventory and deposit accounts (and the proceeds thereof) of Spansion LLC and the Revolver Guarantors.

Secured Bond Facility:

A \$225,000,000 bond facility on the terms set forth in that certain Secured Bond Term Sheet delivered by the Holders (in their capacity as holders thereunder (in such capacity, the “**Bond Holders**”)) to Borrower in conjunction with this Term Sheet (such term sheet, the “**Bond Term Sheet**”; such facility, the “**Bond Facility**”; the bonds underlying such facility, the “**Bonds**”). As consideration for cancelling \$225,000,000 of loans under the FRN Notes and Spansion's obligations to Holders with respect thereto under the Prepetition FRN Guaranteed Obligations, the Bond Holders will be issued \$225,000,000 of Bonds under the Bond Facility.

Convertible Note Facility:

\$250,000,000 in aggregate original principal amount of 4.75% Convertible Senior Secured Notes due 2016 issued by Issuer to Holders on the Closing Date (such credit facility, the “**Convertible Note Facility**”; such notes, the “**Notes**”). As consideration for cancelling \$250,000,000 of indebtedness under the Prepetition FRN Notes and Spansion's obligations to Holders with respect thereto under the Prepetition FRN Guaranteed Obligations, the Holders will be issued \$250,000,000 of Notes under the Convertible Note Facility.

**TERMS OF CONVERTIBLE
NOTE FACILITY:**

Funding Commitments:

NONE

Closing Date:

On or before _____, 2009, subject to the prior or concurrent satisfaction of the applicable conditions precedent set forth herein (“**Closing Date**”).

Maturity Date:

The Notes will mature on _____, 2016 (the “**Maturity Date**”) [INSERT DATE EQUAL TO 7 YEARS AFTER THE CLOSING DATE], unless redeemed by the Issuer earlier in accordance with the Redemption requirements set forth below.

Payment Block:

Notwithstanding anything contained herein, all payments due under this Convertible Note Facility may be suspended pursuant to limitations set forth in the Bond Facility, provided, however, that such block, in the case of interest, shall not exceed 180 days in any 365 day period (the “**Payment Block**”).

Interest:

Interest on the Notes will accrue at a rate of 4.75% per annum payable semi-annually in arrears in cash.

During the continuance of an Event of Default (hereinafter defined) under the Notes and/or any agreement, document and/or instrument executed and/or delivered in connection with the issuance thereof (the “**Note Documents**”), the indebtedness evidenced by the Notes

and all other outstanding obligations under the Convertible Note Facility shall bear interest at a rate per annum equal to 2% in excess of the interest rate then in effect.

Trustee's Fee:

A non-refundable, fully-earned and non-proratable annual fee to be payable as agreed between the Issuer and the Trustee (the **"Trustee's Fees"**)

Currency:

All payments under the Convertible Note Facility will be made in U.S. Dollars without setoff or counterclaim.

Collateral And Priority Of Liens:

The Notes and all obligations evidenced thereby and the Guarantee and all of the obligations evidenced thereby shall be secured by a perfected security interest, lien, collateral assignment, and mortgage in all of each Obligor's real and personal property, whether now owned or hereafter acquired, developed and/or existing and wherever located, including, without limitation, all goods & inventory, cash, deposit accounts, securities accounts, accounts receivable, commercial tort claims (including any claims that the Obligors may have against Samsung), intellectual property, general intangibles (including any claims that the Obligors may have against Samsung), documents, real estate, equity interests in subsidiaries (100% of equity interests for all domestic subsidiaries and Foreign Subsidiaries that are Guarantors and 65% for all other Foreign Subsidiaries of the Obligors (constituting first-tier Foreign Subsidiaries) (other than Spansion Japan)), investment property and the products and proceeds of all of the foregoing, subject, as applicable to the Obligors, to the Legal Limitations (collectively, the **"Collateral"**). For the avoidance of doubt, (i) the Trustee (for the benefit of the Holders) shall be entitled to a perfected lien in Obligors' intellectual property registered in the United States and certain other jurisdictions from which a significant amount of the Obligors' revenues are derived, including without limitation, Japan and (ii) the Obligors' UBS Auction Rate Securities, the proceeds thereof and any deposit and/or securities account in which the UBS Auction Rate Securities and/or the proceeds thereof are held (to the extent that the UBS Auction Rate Securities and/or the proceeds thereof are the only contents of such account(s)) shall not constitute **"Collateral"** hereunder.

The Collateral shall be subject only to the senior liens of the Revolving Facility (solely with respect to the Obligors' accounts receivable, inventory and deposit accounts), the Bond Facility and certain other permitted liens customary for a secured convertible note facility (including without limitation senior liens with respect to capital leases up to an amount to be agreed).

Cash Management:

Cash management systems and deposit account control agreements (in form and substance satisfactory to Trustee, Required Holders and Revolving Lenders) for all of the Obligor's deposit accounts (except for (i) accounts used exclusively for payroll and employee benefit purposes and (ii) petty cash accounts).

Redemption:

The Notes shall not be redeemable other than:

(i) upon the occurrence of a Fundamental Change (as described herein), each Holder shall have the right to require that all or any portion of its Notes be redeemed as described below in Fundamental Change Repurchase Right of Holders;

(ii) at any time on or after _____, 2015 [INSERT DATE THAT IS 6 YEARS AFTER CLOSING DATE] the Issuer shall have the right, but not the obligation, to redeem all or any portion of the Notes at par (the "Call");

(iii) at any time on or after _____, 2015 [INSERT DATE THAT IS 6 YEARS AFTER CLOSING DATE] (the period from and after such date, the "Put Period") each Holder shall have the right (but not the obligation) to require the Issuer to redeem all or any portion of such Holder's Notes at par (the "Put");

(iv) each Holder shall have the right to require that all or any portion of its Notes be redeemed as described below in Asset Sale Redemption; and

(v) at any time after the occurrence and during the continuation of an Event of Default, the Issuer shall redeem all or any portion of the Notes accelerated at the direction of the Notifying Holders in accordance with the Event of Default section below.

Each of the redemptions described above shall be subject to mechanics and notice periods to be agreed.

Asset Sale Redemption:

Subject to the Intercreditor Agreement, if the Issuer has received net cash proceeds from a sale or other disposition by Issuer or any subsidiary of Issuer of any property or assets of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, capital stock, auction rate securities (other than the UBS Auction Rate Securities) and sales of any intellectual property assets, but excluding (A) sales of inventory or licenses of intellectual property, in each case, in the ordinary course of business and (B) sales of obsolete equipment (up to \$1,000,000 per year) and has not used such proceeds to makepayment on account of the Revolving Facility which results in a corresponding dollar for dollar reduction in the commitments to make revolving loans under the Revolving Facility and/or to make payment on account of the Bonds, or reinvested such sales proceeds in the Issuer and/or the other Obligor within one year after such

sale (or committed to make such investment by such time and such investment is made promptly thereafter) then the Issuer shall provide notice to the Holders of its intent to redeem a pro rata portion of the Holders' Notes at par in the amount of 100% of such uninvested proceeds and shall promptly redeem such Notes provided that (i) each Holder may elect not to have its Notes redeemed and (ii) such right to reinvest such sale proceeds shall not be applicable during the continuation of an Event of Default that has not been waived or cured (in which case, such proceeds shall be offered to the Holders to redeem all or any portion of their Notes). Any redemption of the Notes shall be accompanied by all accrued interest on the Notes redeemed and any fees, costs and expenses payable or reimbursable to the Trustee and/or Holders.

Notwithstanding the foregoing or any other provisions set forth herein, the Obligors shall not be required to redeem the Notes from the proceeds from (i) the sale of, or any proceeds from, any or all of the UBS Auction Rate Securities or (ii) the sale of the equity interests of Spansion Holdings (Singapore) Pte. Ltd. ("**Spansion Singapore**") by Spansion LLC to Powertech Technology Inc. or from the sale of the inventory, equipment or otherwise, in each case, of Spansion Singapore by Spansion Singapore to Powertech Technology Inc. (whether such payments are in the form of sale proceeds or payments on account of any acquisition financing provided by Spansion LLC to fund all or any portion of the acquisition price with respect to such acquisition) provided that, in each case, such proceeds are (i) reinvested in the Obligors to be used as working capital, (ii) to be used to repay the Obligors' senior debt, including without limitation, Revolving Facility and/or the Bond Facility, (iii) to be used by Obligors to make capital expenditures in accordance with the Convertible Note Facility and/or (iv) to be used by Obligors for any other permitted purposes under the Convertible Note Facility.

Conversion Right:

At any time, the outstanding principal and interest due under the Notes may be converted into common shares of the Issuer at the option of the Holders thereof (each, a "**Conversion**"). The Notes shall be convertible at a 15% premium to the Plan Equity Value (as defined below).

**Fundamental Change
Repurchase Right Of Holders:**

Subject to certain exceptions, if a Fundamental Change occurs, each Holder will have the option to require the Issuer to repurchase all or any portion of its Notes at a price equal to 101% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest with respect thereto. Any Notes so repurchased by the

Issuer will be paid for in cash. Subject to certain exceptions, if a Fundamental Change occurs, in addition to the option to require redemption in cash, each Holder will have the option to convert all or any portion of its outstanding Notes (for so long as such Notes remain outstanding) into equity in the acquiror, with the conversion ratio applicable to the Notes to be as set forth in a “make-whole table” to be agreed (based upon market make-whole tables in similar facilities). For purposes of this Term Sheet, a “Fundamental Change” shall include, without limitation, (i) a sale of substantially all of the assets of the Issuer (including, without limitation, a sale of substantially all of the Issuer’s equity interests in Spansion LLC and/or Spansion Technology Inc.) or of Spansion LLC or (ii) any transaction or series of related transactions pursuant to which a single person (or group of related persons, as that term is defined within securities laws) acquires beneficial ownership of greater than 50% of the then outstanding shares of the voting capital stock of Spansion. Notwithstanding the foregoing, any transaction or event described in (ii) above shall not constitute a Fundamental Change if at least 90% of the consideration paid for the Issuer’s equity interests in a merger or consolidation consists of shares of common stock traded on a nationally recognized exchange and as a result of such transaction the Notes become convertible into such shares of exchange traded common stock.

Board Composition

The Plan of Reorganization shall provide that (i) the Required Holders shall be permitted to designate three (3) members of Spansion’s board of directors and such designations shall be effective as of the effective date of Plan of Reorganization, (ii) Spansion’s Official Committee of Unsecured Creditors (the “**Committee**”) shall be permitted to designate four (4) members of Spansion’s board of directors and such designations shall be effective as of the effective date of Plan of Reorganization, (iii) the Committee and the Required Holders, together, shall be permitted to designate two (2) members of Spansion’s board of directors and such designation shall be effective as of the effective date of Plan of Reorganization (it being agreed that one of such members shall be the acting chief executive officer of Spansion) and (iv) such designated members of Spansion’s board of directors referenced in clauses (i) through (iii) of this sentence shall not be subject to re-election or removal (other than for cause) for at least 12 months after the effective date of the Plan of Reorganization.

Conditions Precedent To Or Concurrent With The Closing Date:

The Convertible Note Facility shall not become effective until the prior or concurrent satisfaction of the following conditions satisfactory to the Trustee and Holders:

- a) Trustee’s receipt of a cash payment of \$100,000,000 on

account of indebtedness evidenced by the Prepetition FRN Notes, for the ratable benefit of the Holders in their capacity as Prepetition FRN Noteholders (“**Closing Date Cash Payment**”);

- b) Trustee’s receipt, for the ratable benefit of the Holders in their capacity as Prepetition FRN Noteholders, of shares of common stock of the Issuer (as reorganized) corresponding to an amount equal to the principal balance of the Prepetition FRN Notes immediately prior to giving effect to the transactions contemplated hereunder plus accrued and unpaid interest on account thereof less (i) the original principal amount of the Notes and the Bonds and (ii) the Closing Date Cash Payment subject to any holdback or escrow amount required by the Court (the “**FRN Common Stock Consideration**”; the issuance of such common stock, the “**Issuance of Stock to Prepetition FRN Noteholders**”). The percentage of the total shares of common stock of the Issuer (as reorganized) distributed to the Trustee (for the ratable benefit of the Holders in their capacity as Prepetition FRN Noteholders) shall be calculated by dividing the FRN Common Stock Consideration (approximately \$58,300,000) by the Plan Equity Value. The “**Plan Equity Value**” equals \$1,030,000,000 less (i) assumed capital leases (currently estimated to be approximately \$20,000,000) less (ii) the Closing Date Cash Payment and less (iii) the original principal amount of the Notes and the Bonds. The Plan Equity Value is currently estimated to be \$435,000,000;
- c) Trustee’s receipt of a perfection certificate from each Obligor, in form and substance reasonably satisfactory to Trustee and Required Holders, which, among other things, provides reasonable details of information necessary for the Trustee to obtain a perfected security interest in the Collateral of each Obligor;
- d) (i) Entry of a final non-appealable order of the Bankruptcy Court (which is not subject to any appeal or contest) approving a plan of reorganization which plan has been approved by the requisite Holders necessary to approve such plan and which (A) provides for the full payment or other satisfaction of the Prepetition Senior ABL Credit Facility (including the resolutions of obligations with respect to outstanding letters of credit existing on the Closing Date) (“**Pre-Existing Loan Payments**”); (B) cancels the FRN Notes and all indebtedness outstanding thereunder and under the other Prepetition FRN Documents; (C) provides for payment or satisfaction in full of administrative and priority claims and expenses and (D) incorporates the terms set forth

in this Term Sheet and the Bond Term Sheet and otherwise approves, in all respects, the payment of the Closing Date Cash Payment, the Issuance of Stock to Prepetition FRN Noteholders and the terms of the Bond Facility, Convertible Note Facility, the Note Documents and the Bond Documents (as defined in the Bond Term Sheet), in each case in execution form, and (ii) such plan is consummated (the “**Plan of Reorganization**”);

- e) Satisfaction of the Conditions Precedent To Or Concurrent With The Closing Date of the Bond Facility (other than that the transaction evidenced by the Note Documents be closed) (without any waivers that are not approved by the Agent and Required Holders), the closing of the Bond Facility on the terms set forth in the Bond Term Sheet and Agent’s receipt of all documentation evidencing the Bond Facility;
- f) Intercreditor and subordination agreement between the Bond Holders, the Holders and the Revolving Lenders (provided that, in the event that the agreements, documents and/or other instruments evidencing the Convertible Note Facility contain subordination language (subordinating the indebtedness evidenced thereby to the indebtedness evidenced by the Bond Documents (as defined in the Bond Term Sheet)) satisfactory to Agent (as defined in the Bond Term Sheet) and Bond Holders, no such intercreditor and/or subordination agreement shall be required between the Holders and the Bond Holders) (the “**Intercreditor Agreement**”);
- g) Compliance with all applicable laws and regulations in all material respects (including applicable securities laws and compliance with “know your customer” and anti-money laundering rules and regulations, including without limitation, the Patriot Act);
- h) Legal opinions customary for exit financing facilities from counsel to Obligors from each jurisdiction in which the Obligors are organized and under the governing law of the principal loan documents, including without limitation, opinions as to enforceability, authority, due execution, no conflicts and perfection;
- i) Execution and delivery of definitive documentation including, without limitation, notes, security, and intercreditor agreements, landlord waiver and acknowledgments and other agreements as required by Trustee and Holders in their reasonable discretion (to the extent consistent with this Term Sheet);
- j) For all mortgaged real estate collateral, mortgages, title

insurance (containing reasonable endorsements acceptable to the Trustee and Required Holders), legal opinions, and all other documents and instruments typical and customary to evidence and perfect Trustee's security interest and mortgage(s) in the real estate provided that, in each case, such requirements shall be consistent with the mortgage requirements set forth in the Prepetition FRN Documents);

- k) Payment of the Trustee Fee;
- l) Payment by Issuer of all reasonable fees and expenses incurred by Trustee and one counsel for the Holders, in the preparation, negotiation, execution, and delivery of the Note Documents; and
- m) [Spansion LLC shall have created a new subsidiary ("NewCo"), NewCo shall have become a Guarantor under the Note Documents for all purposes and the Obligors shall have transferred all of their equity interests in Foreign Subsidiaries to NewCo; and][Bracketed text remains OPEN, under review and subject to further negotiation]
- n) Such other documents, agreements, and instruments as reasonably required by the Trustee and Holders to evidence the terms set forth herein.

Representations & Warranties:

Due organization and power, litigation, government regulation, taxes, enforceability of the Note Documents and security interests, compliance with other material instruments, perfection and priority of liens, absence of events of default, margin securities, ERISA, financial statements, title of assets, solvency, use of proceeds, assets for conduct of business, compliance with laws, environmental matters, material contracts and other representations and warranties that are customary for a facility of this type, in each case with customary carve outs and materiality to be agreed.

Covenants:

The Obligors shall comply with certain customary affirmative and negative covenants, including, without limitation, those related to maintenance of properties and insurance, payment of taxes, compliance with laws, financial and collateral reporting (including without limitation, delivery of annual updates to the perfection certificate(s)), contracts, permits and ERISA covenants, permitted investments, permitted dispositions, permitted indebtedness, permitted liens, transactions with affiliates, restricted payments, restrictions on making distributions and dividends, mergers and acquisitions, all subject to customary limitations, materiality and carve outs to be agreed upon.

Rating of Notes & Listing of Stock

Within 45 days following the Closing Date, Spansion shall have met with a rating agency which is reasonably satisfactory to Trustee and Required Holders to commence the process to rate the Notes (and thereafter shall use good faith reasonable efforts to promptly complete such process). Spansion's equity shall be publicly traded on a national exchange or over the counter market within 90 days of the Closing Date.

Releases:

The Plan of Reorganization shall contain releases for the benefit of management and board of directors of Spansion and its subsidiaries (other than Spansion Japan), the Committee and their respective advisors, in each case, typical for reorganization plans filed in the Delaware Bankruptcy Court.

Events Of Default:

Each of the following shall constitute an “**Event of Default**” under the Note Documents: (i) nonpayment of principal, interest, fees or other amounts (subject to customary grace periods), (ii) failure to perform or observe any covenants or other agreements set forth in the Indenture or any other Note Document within forty-five (45) days after the Notifying Holders have provided Issuer with notice of such default; (iii) cross-default to payment defaults and cross default to acceleration, in each case, with respect to other indebtedness (including, without limitation, to the Bond Facility and the Revolving Facility) in an amount to be agreed; (iv) bankruptcy and insolvency defaults (with grace period for involuntary proceedings); (v) monetary judgment defaults in an amount to be agreed; (vi) asserted impairment by Obligor or any of its subsidiaries or actual impairment of Note Documents, the liens securing the obligations under the Notes and the other Note Documents or the Collateral; (vii) if the Issuer or any Subsidiary makes any payments on any subordinated indebtedness unless expressly permitted by the Note Documents; (viii) Issuer's (A) failure to comply with its obligation to convert the Notes into shares of common stock in accordance with the Note Documents or (B) written notice to any Holders at any time of its intention not to comply with a request for conversion of any Notes to common stock; (ix) Spansion fails to provide a timely notice of the occurrence of a Fundamental Change or of a Make Whole adjustment event; (x) the suspension from trading or failure of the common stock of Spansion to be listed or quoted on a national exchange or an over the counter market for a period of five consecutive days or for more than an aggregate of 15 days in any 365- day period or (xi) any Guarantee ceases to be in force and effect or any Guarantee is declared to be null and void and unenforceable or any Guarantee is found to be invalid or any Guarantor denies its liability under its Guarantee. At the direction of the Notifying Holders and during the continuation of an Event of Default (other than any Event of Default (A) referenced in clause (x)

of this Section to the extent that such Event of Default is not material and (B) arising as a result of Spansion's failure to timely satisfy any of the requirements set forth in "Rating of Notes & Listing of Stock" above (solely to the extent that Spansion used commercially reasonable good faith efforts to timely satisfy such requirements and such failure to timely satisfy such requirements was due to factors and/or events out of Spansion's control), in which cases the sole remedy shall be to charge the default rate of interest), the Trustee shall be required to accelerate all or any portion of the Notes.

Holder Consent:

Any amendments to the Note Documents shall require the approval of the Required Holders, and all affected Holders for certain events, such as reductions in principal or fees (other than as a result of conversion), extensions with respect to any payments or releases of substantially all of the Collateral (other than as permitted by the Note Documents), and other events as are customary for facilities similar to the Convertible Note Facility. Notwithstanding the foregoing, the Trustee shall have the right to approve certain events without Holder Consent, such events to be negotiated pursuant to definitive documentation.

"Required Holders" means, at any time, Holders whose pro rata share of the outstanding Notes aggregate more than 50% of the outstanding Notes held by all of the Holders.

"Notifying Holders" means, at any time, Holders whose pro rata share of the outstanding Notes aggregate more than 25% of the outstanding Notes held by all of the Holders.

Indemnity; Expenses:

All reasonable fees and expenses incurred by Trustee and one counsel for the Holders, including reasonable attorneys' fees, in the preparation, negotiation, execution, delivery and administration of the Note Documents and all reasonable fees and expenses incurred by Trustee and one counsel for the Holders, including reasonable attorneys' fees, in connection with Trustee's and Holders' exercise of their rights and remedies thereunder (including in connection with any workout or restructuring). Such fees and expenses shall be payable upon demand. The Obligors shall indemnify, pay and hold harmless the Trustee and the Holders (and their respective directors, officers, employees and agents) against any loss, liability, cost or expense incurred in respect of the transaction contemplated hereby (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party).

Assignment:

Holders will be permitted to make assignments in respect of the Notes to one or more of their affiliates or one or more banks, financial institutions, or other entities that are eligible assignees (as defined in the Note Documents) subject to the compliance with certain other requirements to be set forth in the Note Documents.

Release Of Claims:

Spansion and each of its Subsidiaries (other than Spansion Japan to the extent prohibited by the laws of Japan or to the extent that the Obligors do not have the authority to require Spansion Japan to provide such release) to provide Trustee and Holders with release of claims reasonably satisfactory in form and substance to Trustee and Holders.

Governing Law and Jurisdiction:

The Note Documents will be governed by the laws of the State of New York. The Obligors will submit to the non-exclusive jurisdiction and venue of any state or federal court of competent jurisdiction in the state, county and city of New York, borough of Manhattan; and shall waive any right to trial by jury.

Confidentiality:

Obligors, Trustee and Holders shall not disclose the contents of this Term Sheet to any third party other than those participating in this transaction, including, without limitation, any financial institution or intermediary, without prior written consent of the other parties hereto, other than to officers and advisors, financing sources, rating agencies, regulators and counsel, each on a need-to-know basis, and as may be required by applicable law. The Obligors agree to inform all such persons who receive information concerning this Term Sheet that such information is confidential and may not be disclosed to any other person.

Plan of Reorganization:

Nothing in this Term Sheet shall be construed as a commitment by Trustee or any of the Holders to vote for the Plan of Reorganization, and in any event, the Holders reserve their right to object to the Plan of Reorganization on grounds of, among other things, feasibility. The period of time between the voting deadline with respect to the Plan of Reorganization and the effective date of the Plan of Reorganization shall not exceed sixty (60) days.

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