



October 1, 2008

Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Facsimile: 202-772-9200

Dear Mr. Cox,

On Sept. 19, the SEC interfered with free markets by placing a ban on short selling on a wide range of stocks. This decision will dramatically impact the convertible securities market and the ability of companies – including mine, Cypress Semiconductor Corp. – to raise capital at a time when many other capital markets are effectively closed.

Short selling and convertible debentures are important parts of a healthy market. Used in tandem, they are a safe, conservative capital-raising instrument. Interfering with them dramatically disturbs market equilibrium. Essentially, the SEC ruling has facilitated the seizure of the entire \$294 billion convertible securities market for both financial and non-financial issuers. The convertible debenture is the preferred form of funding for high-tech companies in Silicon Valley. Cypress has used convertibles to the great advantage of our company and its shareholders over the years, issuing six converts valued at approximately \$2 billion.

Short selling has become a problem in the market due to another unwarranted SEC action. For years, there was an “uptick” rule that prevented shorting into a down market. When the SEC removed the uptick rule, there was a wave of speculative short selling that drove many shares down. This is the problem that the SEC should correct. Instead, with the short-selling ban, it has added yet another damaging change.

While it may seem that eliminating short selling does nothing but put hedge funds out of business for a while, the fact is that it has much more severe implications on the market. The standard investment practice is to buy a convertible debenture, short the underlying security, and make money either through the modest coupon interest rate (downside scenario) or the spread between the price at which the underlying stock was shorted and the redemption price (upside case). This is a very safe and reasonable way to invest money in the volatile high-tech market. The strategy also enables individuals to make low-risk investments in high-tech through mutual funds that hold a portfolio of high-tech convertible debentures.

The recent SEC action has completely shut down convertible debentures as a source of funding for the high-tech industry. A potential offering by my company was shut down

last week. This is a classic example of an unintended consequence that comes from meddling in free markets.

My recommendation is that the SEC reinstate the uptick rule, limit the short selling ban to those very few companies that are on the edge of bankruptcy—and stop shutting down funding of the entire convertible debenture industry, which is the major source of funding for high-tech.

For the record, I am the most senior CEO of any electronics company on the New York Stock Exchange, having taken my position in 1982. I have managed through many cycles of regulatory “reform” mandated to fix Wall Street mistakes. The SEC can never win the cat and mouse game of trying to keep up with the latest “innovative” investment strategies. What it can do is to curb excesses by *using information rather than force*. I’m sure that the SEC had foreknowledge of issues in the housing industry long before the full force of the problem struck home. Why don’t you investigate potential problems and make a statement about increased risk or have another agency, such as Moody’s, issue a report on increased risk? In that case, potential offenders will see their share prices and debt ratings drop dramatically, curbing their excesses before they become wards of the state.

Finally, I have enclosed a copy of a paper I wrote for the Cato Institute on GAAP accounting. The paper demonstrates clearly that even I cannot use the GAAP reports from Cypress to run my own company, despite having been a CEO for 26 years and having a Ph.D. While FASB loves to talk about the “transparency” of their latest accounting initiatives, the fact is they have created an accounting maze that is unintelligible even to CEOs, let alone the average investor. This is the problem you should be working on, not trying to micromanage who buys and sells in the market.

Regards,

A handwritten signature in black ink, appearing to read 'T.J. Rodgers', with a long horizontal flourish extending to the right.

T.J. Rodgers
President & CEO

TJR/flm
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