

SILICON STORAGE TECHNOLOGY INC

Form PREM14A

February 17, 2010

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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**

**(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-12

**SILICON STORAGE TECHNOLOGY, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:  
Common Stock, no par value per share, of Silicon Storage Technology, Inc.

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(2) Aggregate number of securities to which transaction applies:  
98,347,794 shares of Common Stock outstanding, and includes the anticipated issuance of 2,493,637 shares of Common Stock pursuant to options granted under the 1995 Equity Incentive Plan, the 1995 Non-Employee Directors Stock Option Plan and the 2008 Equity Incentive Plan prior to the closing of the transaction with exercise prices below \$2.85 that are eligible to be cashed out in the merger.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
The filing fee was determined based upon the sum of (A) 95,854,157 shares of Common Stock multiplied by \$2.85 per share and (B) options to purchase 2,493,637 shares of Common Stock with exercise prices below \$2.85 multiplied by \$0.49 per share (which is the difference between \$2.85 and the weighted average exercise price per share). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying \$0.00007130 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:  
\$274,406,229.58

(5) Total fee paid:  
\$19,565.17

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPIES

**SILICON STORAGE TECHNOLOGY, INC.**

**1020 Kifer Road**

**Sunnyvale, California 94086**

**(408) 735-9110**

Dear Shareholder:

We invite you to attend a special meeting of shareholders of Silicon Storage Technology, Inc., or SST, to be held at SST's offices at 1020 Kifer Road, Sunnyvale, California 94086, at \_\_\_\_\_ a.m., local time, on \_\_\_\_\_, 2010, or the Special Meeting. Holders of record of SST common stock, no par value per share, at the close of business on \_\_\_\_\_, 2010 will be entitled to vote at the Special Meeting or any adjournment or postponement of the Special Meeting.

At the Special Meeting, we will ask you to adopt the Agreement and Plan of Merger, dated as of February 2, 2010, among Microchip Technology Incorporated, Sun Acquisition Corporation and SST, or the Merger Agreement, and approve the principal terms of the merger as contemplated by the Merger Agreement, or the Merger. As a result of the Merger, SST will become a wholly-owned subsidiary of Microchip Technology Incorporated. Microchip Technology Incorporated is a Delaware corporation. Sun Acquisition Corporation is a California corporation and is a wholly-owned subsidiary of Microchip Technology Incorporated.

We are also asking you to expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to approve the principal terms of the Merger and adopt the Merger Agreement.

If the Merger is completed, you will be entitled to receive \$2.85 in cash, without interest and less any applicable withholding taxes, for each share of SST common stock that you own, and you will have no ongoing ownership interest in the continuing business of SST. We cannot complete the Merger unless all of the conditions to closing are satisfied, including the approval of the Merger Agreement by the affirmative vote of the holders of a majority of the outstanding shares of SST common stock as of \_\_\_\_\_, 2010.

A strategic committee of our board of directors composed entirely of independent directors, or the Strategic Committee, reviewed and considered the terms and conditions of the Merger. The Strategic Committee determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable, fair to, and in the best interests of, SST and our shareholders and recommended that our board of directors approve the Merger Agreement and the transactions contemplated thereby, including the Merger, and that our board of directors recommend that our shareholders vote to approve the principal terms of the Merger and adopt the Merger Agreement. Our board of directors also determined that the Merger Agreement, and the transactions contemplated thereby, including the Merger, are fair to, and in the best interests of, SST and our shareholders, declared the Merger Agreement and the transactions contemplated thereby, including the Merger, to be advisable and recommended that our shareholders vote to approve the principal terms of the Merger and adopt the Merger Agreement. Directors Bing Yeh and Yaw Wen Hu abstained from the determinations of the board of directors.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR**

**THE APPROVAL OF THE PRINCIPAL TERMS OF THE MERGER AND**

**THE ADOPTION OF THE MERGER AGREEMENT AND, IF NECESSARY, TO**

**ADJOURN THE SPECIAL MEETING FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES**

**TO VOTE IN FAVOR OF APPROVING THE PRINCIPAL TERMS OF THE MERGER AND**

**ADOPTING THE MERGER AGREEMENT.**

**YOUR VOTE IS IMPORTANT.**

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In the materials accompanying this letter, you will find a Notice of Special Meeting of Shareholders, a proxy statement relating to the actions to be taken by our shareholders at the Special Meeting and a proxy card.

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The proxy statement includes other important information about the Merger Agreement and the Merger. We encourage you to read the entire proxy statement, including its annexes, carefully.

All of our shareholders are cordially invited to attend the Special Meeting in person. Whether or not you plan to attend the Special Meeting, however, please complete, sign, date and return your proxy card in the enclosed envelope or appoint a proxy over the Internet or by telephone as instructed in these materials. It is important that your shares be represented and voted at the Special Meeting. If you attend the Special Meeting, you may vote in person as you wish, even though you have previously returned your proxy card or appointed a proxy over the Internet or by telephone.

On behalf of our board of directors, I thank you for your support and urge you to vote **FOR** the approval of the principal terms of the Merger and the adoption of the Merger Agreement.

Sincerely,

James B. Boyd

*Secretary*

, 2010

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**SILICON STORAGE TECHNOLOGY, INC.**

**1020 Kifer Road**

**Sunnyvale, California 94086**

**(408) 735-9110**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2010**

Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders of Silicon Storage Technology, Inc., a California corporation, or SST, that will be held at our offices at 1020 Kifer Road, Sunnyvale California 94086, at \_\_\_\_\_ a.m., local time, on \_\_\_\_\_, 2010, or the Special Meeting, for the following purposes:

1. to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 2, 2010, among Microchip Technology Incorporated, Sun Acquisition Corporation and SST, or the Merger Agreement, and approve the principal terms of the merger as contemplated by the Merger Agreement, or the Merger; and
2. to vote to adjourn the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of the approval of the principal terms of the Merger and adoption of the Merger Agreement.

Microchip Technology Incorporated is a Delaware corporation. Sun Acquisition Corporation is a California corporation and is a wholly-owned subsidiary of Microchip Technology Incorporated.

A strategic committee of our board of directors composed entirely of independent directors, or the Strategic Committee, reviewed and considered the terms and conditions of the Merger. The Strategic Committee determined that the Merger and the Merger Agreement are advisable, fair to, and in the best interests of, SST and our shareholders and recommended that our board of directors approve the Merger Agreement and the transactions contemplated thereby, including the Merger, and that our board of directors recommend that our shareholders vote to approve the principal terms of the Merger and adopt the Merger Agreement. Our board of directors then determined that the Merger and the Merger Agreement are fair to, and in the best interests of, SST and our shareholders, declared the Merger Agreement and the transactions contemplated thereby, including the Merger, to be advisable and recommended that SST's shareholders vote to approve the principal terms of the Merger and adopt the Merger Agreement. Directors Bing Yeh and Yaw Wen Hu abstained from the determinations of the board of directors. This item of business to be submitted to a vote of the shareholders at the Special Meeting is more fully described in the attached proxy statement, which we urge you to read carefully. Our board of directors also recommends that you expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to approve the principal terms of the Merger and adopt the Merger Agreement. No other business may be transacted at the Special Meeting.

Shareholders of record at the close of business on \_\_\_\_\_, 2010, or the record date, are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement of the meeting. The proxy statement is dated \_\_\_\_\_, 2010, and is first being mailed to shareholders of SST on or about \_\_\_\_\_, 2010. All shareholders are cordially invited to attend the Special Meeting in person. Approval of the principal terms of the Merger and adoption of the Merger Agreement will require the affirmative vote of the holders of a majority of the outstanding shares of SST common stock as of the record date.

SST shareholders will have the right to demand appraisal of their shares of SST common stock and obtain payment in cash for the fair value of their shares of SST common stock, but only if they perfect their dissenters' rights and comply with the applicable provisions of California law. A copy of the California statutory provisions relating to dissenters' rights is attached as **Annex C** to the attached proxy statement, and a summary of

these provisions can be found under "The Merger Dissenters' Rights" in the attached proxy statement.

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You should not send any certificates representing shares of SST common stock with your proxy card. Upon the closing of the Merger, you will be sent instructions regarding the procedure to exchange your stock certificates for the cash Merger consideration.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR  
THE APPROVAL OF THE PRINCIPAL TERMS OF THE MERGER AND  
THE ADOPTION OF THE MERGER AGREEMENT AND, IF NECESSARY, TO  
ADJOURN THE SPECIAL MEETING FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES  
TO VOTE IN FAVOR OF APPROVING THE PRINCIPAL TERMS OF THE MERGER AND  
ADOPTING THE MERGER AGREEMENT.**

**YOUR VOTE IS IMPORTANT.**

Your vote is very important, regardless of the number of shares you own. Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return your proxy card in the enclosed envelope, or appoint a proxy over the Internet or by telephone as instructed in these materials, to ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of approval of the principal terms of the Merger and adoption of the Merger Agreement and, if necessary, to adjourn the Special Meeting for the purposes of soliciting additional proxies to vote in favor of approving the principal terms of the Merger and adopting the Merger Agreement. If you fail to return your proxy card or if you fail to appoint a proxy over the Internet or by telephone, your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting and will have the same effect as a vote against approving the principal terms of the Merger and adoption of the Merger Agreement and the adjournment of the Special Meeting for the purposes of obtaining additional proxies to vote in favor of approving the principal terms of the Merger and adoption of the Merger Agreement. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Special Meeting.

No person has been authorized to give any information or to make any representations other than those set forth in the proxy statement in connection with the solicitation of proxies made hereby, and, if given or made, such information must not be relied upon as having been authorized by SST or any other person.

By Order of the Board of Directors

James B. Boyd

*Secretary*

Sunnyvale, California

**THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**



**In addition to delivering the proxy materials for the Special Meeting to be held on \_\_\_\_\_, 2010 to shareholders by mail, the proxy statement for such meeting is also is available at \_\_\_\_\_**

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**SUMMARY TERM SHEET**

This Summary Term Sheet, together with the Questions and Answers About the Special Meeting and Merger, summarizes the material information in the proxy statement. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you for a more complete understanding of the matters being considered at the Special Meeting. In addition, you may obtain additional business and financial information about Silicon Storage Technology, Inc. without charge by following the instructions in Where You Can Find More Information beginning on page 68. We have included page references in parentheses to direct you to more complete descriptions of the topics presented in this summary. The Agreement and Plan of Merger, dated as of February 2, 2010, among Microchip Technology Incorporated, Sun Acquisition Corporation and Silicon Storage Technology, Inc., or the Merger Agreement, is attached as **Annex A** to this proxy statement. We encourage you to read the Merger Agreement, as it is the legal document that governs the merger, or the Merger. In this proxy statement, we, us, our and SST refer to Silicon Storage Technology, Inc.

**The Merger and the Merger Agreement.**

*The Parties to the Merger (see page 12).* Silicon Storage Technology, Inc., a California corporation, is a leading provider of nonvolatile memory solutions, including flash mass storage products. Microchip Technology Incorporated, a Delaware corporation, or Parent, is a leading provider of microcontrollers and analog semiconductors. Sun Acquisition Corporation, a California corporation and a wholly-owned subsidiary of Parent, or Merger Sub, was formed solely for the purpose of effecting the Merger. Merger Sub has not engaged in any business except in furtherance of this purpose.

*The Merger.* You are being asked to vote to approve the principal terms of the Merger and adopt the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub will merge with and into SST with SST being the surviving corporation in the Merger. As a result of the Merger, SST will cease to be an independent, publicly-traded company. You will no longer have any interest in SST's future earnings or growth. Following consummation of the Merger, the registration of SST common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended, or the Exchange Act, will be terminated upon application to the Securities and Exchange Commission, or the SEC. In addition, upon completion of the Merger, shares of our common stock will no longer be listed on any stock exchange, including the Nasdaq Global Market, or quotation system. See The Merger Agreement beginning on page 52.

*Merger Consideration.* If the Merger is completed, you will be entitled to receive \$2.85 in cash, without interest and less any applicable withholding taxes, for each share of SST common stock, no par value per share, or SST common stock, that you own (other than shares as to which dissenters' rights have been properly exercised). See The Merger Agreement Merger Consideration beginning on page 52.

*Treatment of Outstanding Options.* Upon the consummation of the Merger, all outstanding options to acquire SST common stock will accelerate and vest in full and will then be cancelled. In consideration for the cancellation of the options, the holder of any such option outstanding immediately prior to the effective time of the Merger will receive an amount equal to the number of shares of SST common stock underlying the option multiplied by the amount (if any) by which \$2.85 exceeds the exercise price for each share of SST common stock underlying the options, without interest and less any applicable withholding taxes. If the exercise price of the option is equal to or exceeds \$2.85, the holder of such option will not be entitled to any Merger consideration. See The Merger Agreement Treatment of Options beginning on page 53.

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*Conditions to the Merger (see page 57).* The consummation of the Merger depends on the satisfaction or waiver of a number of conditions, including the following:

the Merger Agreement must have been adopted and the principal terms of the Merger must have been approved by the affirmative vote of the holders of a majority of the outstanding shares of SST common stock as of \_\_\_\_\_, 2010;

no governmental entity having jurisdiction over SST, Parent or Merger Sub shall have issued an order, decree or ruling (1) enjoining or otherwise prohibiting the Merger substantially on the terms contemplated in the Merger Agreement, or (2) compelling SST, Parent or Merger Sub or any of our or their respective subsidiaries to dispose of or hold separate any significant portion of our or their business or assets as a result of the Merger or any of the other transactions contemplated by the Merger Agreement;

any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and any other applicable foreign antitrust laws must have expired or been terminated;

since the date of the Merger Agreement, there must not have been any material adverse effect on SST;

SST's, Parent's and Merger Sub's respective representations and warranties in the Merger Agreement must be true and correct as of the closing date in the manner described under the caption "The Merger Agreement - Conditions to the Merger" beginning on page 57; and

SST, Parent and Merger Sub must have performed in all material respects all obligations under the Merger Agreement that each is required to perform at or prior to the closing of the Merger.

*Restrictions on Solicitations of Other Offers and the Recommendation of our Board (see page 59).*

The Merger Agreement provides that we must cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any person relating to an acquisition proposal and, until the termination of the Merger Agreement, we are generally not permitted to:

solicit, initiate, knowingly encourage or knowingly facilitate (including by way of furnishing non-public information) any inquiries or the making of any proposal or offer (including any proposal from or offer to our shareholders) with respect to, or that would reasonably be expected to lead to, any acquisition proposal;

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any non-public information or grant access to our properties, books and records or personnel in connection with, any acquisition proposal; or

terminate, release, amend, waive or modify any provision of any confidentiality, standstill or similar agreement to which we or any of our subsidiaries is a party (or fail to take reasonable measures to enforce the provisions of any such agreements), or take any action to exempt any person (other than Parent, Merger Sub and their affiliates) from any applicable takeover laws or otherwise cause such restrictions not to apply.

The Merger Agreement provides that (subject to certain exceptions) neither our board of directors nor any of its committees may:

withdraw or modify in a manner adverse to Parent our board of directors' recommendation to our shareholders that they approve the principal terms of the Merger and adopt the Merger Agreement;

approve or recommend any acquisition proposal of a third party; or

cause or permit SST to enter into (or publicly propose that SST enter into) any alternative acquisition agreement with respect to any acquisition proposal.



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Notwithstanding these restrictions, under certain circumstances, and so long as SST complies with certain terms of the Merger Agreement described under *The Merger Agreement Restrictions on Solicitations of Other Offers* and *The Merger Agreement Recommendation Withdrawal/Termination*, our board of directors or the Strategic Committee may (1) respond to a bona fide unsolicited acquisition proposal not obtained in violation of our covenants in the Merger Agreement, (2) approve or recommend certain superior proposals and, in connection with such approval or recommendation, withdraw or modify its recommendation of the Merger Agreement and/or terminate the Merger Agreement, and/or (3) withdraw or modify our board of directors' recommendation of the Merger Agreement in response to a material development occurring after the date of the Merger Agreement that was neither known by our board of directors or reasonably foreseeable, where the board of directors determines in good faith, after consultation with its outside legal counsel, that failure to take such action would reasonably be expected to result in a breach of its fiduciary duties to our shareholders.

*Termination of the Merger Agreement (see page 61).* The Merger Agreement may be terminated:

by mutual written consent of SST and Parent;

by either SST or Parent, if:

the Merger is not consummated on or before July 2, 2010, unless the failure of the Merger to be completed by such date is primarily caused by the failure of the party seeking to exercise such termination right to fulfill any obligation under the Merger Agreement;

any governmental entity having jurisdiction over SST, Parent or Merger Sub has issued a final and non-appealable order, decree or ruling or taken any other action, in each case permanently enjoining or otherwise prohibiting the consummation of the Merger substantially as contemplated by the Merger Agreement; or

the shareholders' meeting to consider approval of the Merger Agreement concludes without the approval and adoption by our shareholders of the Merger Agreement in accordance with the California Corporations Code.

by Parent, if:

we have breached any of our covenants or agreements under the Merger Agreement, or if any of our representations or warranties shall be untrue, such that the conditions to closing relating to such covenants, agreements, representations and warranties would not be satisfied, unless such breach is curable by us through the exercise of our reasonable best efforts and as long as we continue to exercise such reasonable best efforts;

our board of directors fails to include its recommendation of the Merger Agreement in this proxy statement or withdraws its recommendation that our shareholders approve the principal terms of the Merger and adopt the Merger Agreement;

our board of directors approves or recommends, or proposes publicly to approve or recommend, any other acquisition agreement other than the Merger Agreement or permits us to enter into an acquisition agreement related to an acquisition proposal with a third party;

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we have failed to call the shareholders meeting to approve the Merger Agreement or to deliver this proxy statement in accordance with the Merger Agreement and such failure is not due to any material breach by Parent or Merger Sub; or

a tender offer or exchange offer for outstanding shares of SST common stock is commenced by a third party and our board of directors recommends that our shareholders tender their shares in such offer (or fails to recommend rejection of such offer within ten business days of the commencement of such offer or subsequently modifies a recommendation of rejection of such offer).

by SST, if:

Parent or Merger Sub has breached any of their covenants or agreements under the Merger Agreement, or if any representation or warranty of Parent or Merger Sub shall be untrue, such that the conditions to closing relating to such covenants, representations and warranties would not be

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satisfied, unless such breach is curable by Parent and Merger Sub through the exercise of their reasonable best efforts and as long as Parent and Merger Sub continue to exercise such reasonable best efforts; or

prior to the Special Meeting, we terminate the Merger Agreement due to a superior proposal or an intervening event in compliance with the terms of the Merger Agreement described under *The Merger Agreement Restrictions on Solicitations of Other Offers* and *The Merger Agreement Recommendation Withdrawal/Termination* beginning on pages 59 and 60, respectively, and concurrently pay to Parent the termination fee as described under *The Merger Agreement Termination Fees* beginning on page 62.

*Termination Fees (see page 62).* If the Merger Agreement is terminated under certain circumstances:

SST may be obligated to pay:

a termination fee of \$9.6 million, and

the expenses of Parent, up to \$2.0 million, or a higher amount that may be agreed to by Parent and our board of directors, which amount shall be credited toward any termination fee that may be payable by SST.

### **The Special Meeting of SST Shareholders.**

See *Questions and Answers About the Special Meeting and Merger* beginning on page 7 and *The Special Meeting* beginning on page 48.

### **Other Important Considerations.**

*The Strategic Committee and its Recommendation.* The Strategic Committee is a committee of our board of directors that was formed in May 2008 to review our investments and to investigate strategic alternatives, including acquisitions and divestitures. After a review of all transactions or relationships between each director, or any of his family members, and SST, our senior management and our independent registered public accounting firm, the Board determined that all the members of the Strategic Committee were independent directors within the meaning of the applicable listing standards of The Nasdaq Stock Market LLC and did not possess a disqualifying interest with respect to any potential acquisition proposal.

The Strategic Committee was originally comprised of three independent members of our board of directors: Ronald Chwang, Yasushi Chikagami and Edward Y.W. Yang. Dr. Chwang has served as Chairman of the Strategic Committee since its inception. Mr. Chikagami did not stand for re-election to our board of directors in June 2008. In January 2009, Terry M. Nickerson and Bryant R. Riley joined the Strategic Committee. Mr. Riley resigned as a member of our board of directors and all its committees on November 12, 2009 following the approval of the prior merger agreement with Technology Resources Holdings, Inc. and Technology Resources Merger Sub, Inc., each a subsidiary of Prophet Equity LP, or the Prior Agreement. The Strategic Committee unanimously determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable, fair to and in the best interests of SST and our shareholders and recommended to our board of directors that our board of directors (1) approve and declare advisable the Merger Agreement and the transactions contemplated thereby, and (2) recommend the approval of the principal terms of the Merger and the adoption of the Merger Agreement by our shareholders. See *The Merger Reasons for the Merger of SST and Recommendation of the Board of Directors* beginning on page 28.

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*Board Recommendation.* Our board of directors, acting upon the unanimous recommendation of the Strategic Committee, recommends that SST's shareholders vote **FOR** the approval of the principal terms of the Merger and adoption of the Merger Agreement, and **FOR** the adjournment of the Special Meeting, if necessary, to solicit additional proxies. See *The Merger Reasons for the Merger of SST and Recommendation of the Board of Directors* beginning on page 28.

*Reasons for the Merger.* For a discussion of the material factors considered by our board of directors and the Strategic Committee in reaching their conclusions and the reasons why our board of directors and the Strategic Committee determined that the Merger is advisable and fair, see *The Merger Reasons for the Merger of SST and Recommendation of the Board of Directors* beginning on page 28.

*Share Ownership of Directors and Executive Officers.* See *Important Information Concerning SST Security Ownership of Certain Beneficial Owners and Management* beginning on page 65.

*Interests of SST's Directors and Executive Officers in the Merger.* In considering the recommendation of the Strategic Committee and our board of directors in favor of approval of the principal terms of the Merger and adoption of the Merger Agreement, you should be aware that there are provisions of the Merger Agreement and the Merger that will result in certain benefits to our directors and executive officers, including the continuation of certain indemnification and insurance arrangements and the acceleration of stock options (as with all holders of options). See *The Merger Interests of Our Directors and Executive Officers in the Merger* beginning on page 40.

As of February 2, 2010, our directors and executive officers collectively beneficially held, including shares subject to options exercisable within 60 days of February 2, 2010, approximately 14.0% of the outstanding shares of SST common stock. See *Important Information Concerning SST Security Ownership of Certain Beneficial Owners and Management* beginning on page 65.

*Opinion of Houlihan Lokey Howard & Zukin Capital, Inc.* On February 2, 2010, Houlihan Lokey Howard & Zukin Capital, Inc., or Houlihan Lokey, rendered an oral opinion to the Strategic Committee (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated February 2, 2010), as to the fairness, from a financial point of view, of the Merger consideration to be received by the holders of SST common stock, as of February 2, 2010 and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion.

**Houlihan Lokey's opinion was directed to the Strategic Committee and only addressed the fairness from a financial point of view of the Merger consideration to be received by the holders of SST common stock and does not address any other aspect or implication of the Merger. The full text of Houlihan Lokey's written opinion is included as Annex B to this proxy statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. We encourage our shareholders to carefully read the full text of Houlihan Lokey's written opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute, advice or a recommendation to the Strategic Committee or any shareholder as to how to act or vote with respect to the Merger or related matters. See *The Merger Opinion of the Financial Advisor to SST's Strategic Committee* beginning on page 31.**

*Regulatory Approvals (see page 46).* The Merger Agreement requires us, Parent and Merger Sub to use our and their reasonable best efforts to prepare any merger notifications or obtain any government clearances or approvals required to close the Merger under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, or the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission, or the FTC. After signing the Merger Agreement, we and Parent have concluded that we are not required to file the notification under the HSR Act.

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U.S. federal and state laws and regulations, as well as the laws and regulations of other countries in which we or Parent do business, may require that we or Parent obtain approvals or certificates of need from, file new license and/or permit applications with, and/or provide notice to, applicable governmental authorities in connection with the Merger.

*Tax Consequences.* The Merger will be a taxable transaction for U.S. federal income tax purposes if you are a U.S. person, as defined under The Merger Material U.S. Federal Income Tax Consequences of the Merger. If you are a U.S. person, your receipt of cash in exchange for your shares of SST common stock in the Merger generally will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the Merger, determined before the deduction of any applicable withholding taxes, and your adjusted tax basis in your shares of SST common stock. Under U.S. federal income tax law, you will be subject to information reporting on cash received in the Merger unless an exemption applies. Backup withholding may also apply with respect to cash you receive in the Merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number and otherwise comply with the applicable requirements of the backup withholding rules. You should consult your own tax advisor for a full understanding of how the Merger will affect your U.S. federal, state and local and/or foreign taxes and, if applicable, the tax consequences of the receipt of cash in connection with the termination of, and full payment for, your options to purchase shares of SST common stock, including the transactions described in this proxy statement relating to our other equity compensation and benefit plans. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 44.

*Dissenters' Rights (see page 41).* If you do not wish to accept the \$2.85 per share Merger consideration in the Merger, you have the right under California law to have your shares appraised by a California court, provided that you comply with certain procedures. These dissenters' rights are subject to a number of restrictions and technical requirements. Generally, in order to exercise dissenters' rights, among other things, (1) you must not vote in favor of the Merger Agreement, (2) you must make a written demand for appraisal in compliance with California law within 30 days of notification that the Merger Agreement has been approved and (3) you must hold shares of SST common stock on the record date and continuously hold such shares through the effective time of the Merger. The fair value of your shares of SST common stock as determined in accordance with California law may be more or less than, or the same as, the Merger consideration to be paid to non-dissenting shareholders in the Merger. Merely voting against approval of the principal terms of the Merger and adoption of the Merger Agreement will not preserve your right of appraisal under California law. **Annex C** to this proxy statement contains a copy of the California statute relating to shareholders' dissenters' rights. Failure to follow all of the steps required by this statute will result in the loss of your dissenters' rights.

*Market Price of SST Common Stock.* Our common stock is listed on the Nasdaq Global Market under the ticker symbol SSTI. The \$2.85 per share Merger consideration represents a premium of approximately (1) 53% to the \$1.86 per share closing price of SST common stock on November 12, 2009, the last full trading day prior to the announcement of the Prior Agreement, (2) 36% to the \$2.10 per share merger consideration proposed in the Prior Agreement, (3) 6% to the \$2.69 per share closing price of SST common stock on February 2, 2010, the last full trading day prior to the public announcement of the Merger, and (4) % to the \$ per share closing price of SST common stock on , 2010, the last full trading day prior to the date of this proxy statement.

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND MERGER**

**Q: What will happen to SST as a result of the Merger?**

A: Upon the consummation of the Merger, SST will cease to be a publicly-traded company and will become a wholly-owned subsidiary of Parent. You will no longer have any interest in our future earnings or growth. Following consummation of the Merger, the registration of SST common stock and our reporting obligations with respect to our common stock under the Exchange Act will be terminated upon application to the SEC. In addition, upon completion of the Merger, shares of our common stock will no longer be listed on any stock exchange, including the Nasdaq Global Market, or quotation system.

**Q: What will happen to my shares of SST common stock after the Merger?**

A: Upon the consummation of the Merger, each outstanding share of SST common stock, other than shares held by SST, Parent, Merger Sub, or any of their respective subsidiaries, and shareholders who perfect their dissenters' rights, will automatically be cancelled and will be converted into the right to receive \$2.85 in cash, without interest and less any applicable withholding taxes.

**Q: Will I own any shares of SST common stock or Parent common stock after the Merger?**

A: No. You will be paid cash for your shares of SST common stock. Our shareholders will not have the option to receive shares of Parent common stock in exchange for their shares instead of cash.

**Q: What happens to SST stock options in the Merger?**

A: Upon the consummation of the Merger, all outstanding options to acquire SST common stock will accelerate and vest in full and will then be cancelled. In consideration for the cancellation of the options, the holder of any such option will receive an amount equal to the number of shares of SST common stock underlying the option multiplied by the amount (if any) by which \$2.85 exceeds the exercise price for each share of SST common stock underlying the options, without interest and less any applicable withholding taxes. If the exercise price of the option is equal to or exceeds \$2.85, the holder of such option will not be entitled to any Merger consideration. For discussion of tax-related implications, see *The Merger* Material U.S. Federal Income Tax Consequences of the Merger beginning on page 44.

**Q: Will the Merger be taxable to me?**

A: Generally, yes. For U.S. federal income tax purposes, generally SST shareholders, other than SST and Parent, that are U.S. persons (as defined under *The Merger* Material U.S. Federal Income Tax Consequences of the Merger), will recognize a taxable gain or loss as a result of the Merger measured by the difference, if any, between \$2.85 per share and their adjusted tax basis in that share. This gain or loss will be a long-term capital gain or loss if the U.S. person has held its SST shares more than one year as of the effective time of the Merger. For discussion of tax-related implications, see *The Merger* Material U.S. Federal Income Tax Consequences of the Merger beginning on page 44.

**Q: Does our board of directors recommend approval of the principal terms of the Merger and adoption of the Merger Agreement?**

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- A: Yes. The Strategic Committee, reviewed and considered the terms and conditions of the Merger. The Strategic Committee unanimously determined that the Merger and the Merger Agreement are advisable, fair to, and in the best interests of, SST and our shareholders and unanimously recommended that our board of directors

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approve the Merger Agreement and the transactions contemplated thereby, including the Merger, and that our board of directors recommend that our shareholders vote to approve the principal terms of the Merger and adopt the Merger Agreement. Our board of directors then determined that the Merger and the Merger Agreement are fair to, and in the best interests of, SST and our shareholders, and declared the Merger Agreement and the transactions contemplated thereby, including the Merger, to be advisable. Mr. Yeh and Dr. Hu abstained from the determinations of the board of directors. Our board of directors recommends that our shareholders approve the principal terms of the Merger and adopt the Merger Agreement.

**Q: What vote of the shareholders is required to approve the principal terms of the Merger and adopt the Merger Agreement?**

A: To approve the principal terms of the Merger and adopt the Merger Agreement, shareholders of record as of \_\_\_\_\_, 2010 holding a majority of the outstanding shares of SST common stock must vote **FOR** the approval of the principal terms of the Merger and adoption of the Merger Agreement. There are \_\_\_\_\_ shares of SST common stock entitled to be voted at the Special Meeting.

**Q: What vote of the shareholders is required to approve the adjournment of the Special Meeting?**

A: The approval of the adjournment of the Special Meeting requires the affirmative vote of the holders of a majority of the shares of SST common stock present, in person or by proxy, at the Special Meeting, excluding abstentions.

**Q: Who is soliciting my vote?**

A: This proxy solicitation is being made and paid for by SST. In addition, we have retained Innisfree M&A Incorporated, or Innisfree, to assist in the solicitation. We will pay Innisfree approximately \$125,000 plus out-of-pocket expenses for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or by other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other custodians, nominees and fiduciaries to forward proxy solicitation material to the beneficial owners of shares of SST common stock that the brokers and other custodians, nominees and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

**Q: Am I entitled to dissenters' rights?**

A: Yes. Under California law, you have the right to seek appraisal of the fair value of your shares as determined by a California court if the Merger is completed, but only if you do not vote in favor of approving the principal terms of the Merger and adopting the Merger Agreement and comply with the California law procedures explained in this proxy statement.

**Q: What is the date, time and location of the Special Meeting?**

A: The Special Meeting will be held at SST's offices at 1020 Kifer Road, Sunnyvale, California 94086, at \_\_\_\_\_ a.m., local time, on \_\_\_\_\_, 2010.

**Q: What do I need to do now?**

A:



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We urge you to read this proxy statement carefully, including its annexes, and consider how the Merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope or appoint a proxy over the Internet or by telephone as soon as possible so that your shares can be voted at the Special Meeting.

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**Q: What happens if I do not return a proxy card?**

A: The failure to return your proxy card (or to appoint a proxy over the Internet or by telephone or to vote in person) will have the same effect as voting **AGAINST** approval of the principal terms of the Merger and adoption of the Merger Agreement.

**Q: How are votes counted?**

A: For the proposal relating to the approval of the principal terms of the Merger and adoption of the Merger Agreement, you may vote **FOR**, **AGAINST** or **ABSTAIN**. Abstentions will not count as votes cast on the proposal relating to approval of the principal terms of the Merger and adoption of the Merger Agreement, but will count for the purpose of determining whether a quorum is present. As a result, if you **ABSTAIN**, it has the same effect as if you vote **AGAINST** the approval of the principal terms of the Merger and adoption of the Merger Agreement. For a proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies, you may vote **FOR**, **AGAINST** or **ABSTAIN**. Abstentions will not count as votes cast on a proposal to adjourn or postpone the Special Meeting, if necessary or appropriate, to solicit additional proxies, but will count for the purpose of determining whether a quorum is present. If you **ABSTAIN**, it will have no effect on a proposal to adjourn or postpone the Special Meeting. If you sign and return your proxy and do not indicate how you want to vote, your proxy will be voted **FOR** the proposal to approve the principal terms of the Merger and adopt the Merger Agreement, and **FOR** a proposal to approve the adjournment or postponement of the Special Meeting, if necessary or appropriate, to solicit additional proxies. If you hold your shares in street name, follow the instructions from your broker on how to vote your shares. Please do NOT send in your share certificates with your proxy card.

**Q: May I vote in person?**

A: Yes. You may vote in person at the Special Meeting, rather than signing and returning your proxy card, if you own shares in your own name. However, we encourage you to return your signed proxy card to ensure that your shares are voted. You may also vote in person at the Special Meeting if your shares are held in street name through a broker or bank provided that you bring a legal proxy from your broker or bank and present it at the Special Meeting. You may also be asked to present photo identification for admittance.

**Q: May I appoint a proxy over the Internet or by telephone?**

A: Yes. You may appoint a proxy over the Internet or by telephone by following the instructions included in these materials. See The Special Meeting Voting over the Internet or by Telephone beginning on page 49.

**Q: May I change my vote after I have mailed my signed proxy card?**

A: Yes. You may change your vote at any time before the shares reflected on your proxy card are voted at the Special Meeting. You can do this in one of four ways. First, you can send a written, dated notice to our corporate secretary stating that you would like to revoke your proxy. Second, you can complete, sign, date and submit a new proxy card. Third, you can submit a subsequent proxy over the Internet or by telephone. Fourth, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change your instructions.

Written notices of revocation and other communications with respect to revocation of any proxies should be addressed to: Corporate Secretary, Silicon Storage Technology, Inc., 1020 Kifer Road, Sunnyvale, CA, 94086.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

A: Your broker will NOT vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker. Without instructions, your shares will

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not be voted, which will have the same effect as voting **AGAINST** approval of the principal terms of the Merger and adoption of the Merger Agreement.

**Q: Should I send in my stock certificates now?**

A: No. After the Merger is completed, you will receive written instructions for exchanging your shares of SST common stock for the Merger consideration of \$2.85 in cash, without interest and less any applicable withholding taxes, for each share of SST common stock.

**Q: When do you expect the Merger to be completed?**

A: We are working toward completing the Merger as quickly as possible, but we can not predict the exact timing. We currently expect the Merger to be completed in the second quarter of 2010. In addition to obtaining shareholder approval, all other closing conditions must be satisfied or waived. However, we cannot assure you that all conditions to the Merger will be satisfied or, if satisfied, the date by which they will be satisfied.

**Q: When will I receive the Merger consideration for my shares of SST common stock?**

A: After the Merger is completed, you will receive written instructions, including a letter of transmittal, that explain how to exchange your shares for the Merger consideration of \$2.85 in cash, without interest and less any applicable withholding taxes, for each share of SST common stock. When you properly return and complete the required documentation described in the written instructions, you will promptly receive from the paying agent a payment of the Merger consideration for your shares.

**Q: What happens if I sell my shares of SST common stock before the Special Meeting?**

A: The record date for stockholders entitled to vote at the special meeting is earlier than the date of the Special Meeting and the expected closing date of the Merger. If you transfer your shares of SST common stock after the record date but before the Special Meeting, you will, unless special arrangements are made, retain your right to vote at the Special Meeting but will transfer the right to receive the Merger consideration to the person to whom you transfer your shares. In addition, if you sell your shares prior to the Special Meeting or prior to the effective time of the Merger, you will not be eligible to exercise your dissenters' rights in respect of the Merger. For a more detailed discussion of your appraisal rights and the requirements for perfecting your dissenter rights, see *The Merger Dissenters Rights* beginning on page 41.

**Q: Who can help answer my questions?**

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the Merger, including the procedures for voting your shares, you should contact us or our proxy solicitor, Innisfree, as follows:

Silicon Storage Technology, Inc.

Investor Relations

1020 Kifer Road

Innisfree M&A Incorporated

501 Madison Avenue, 20<sup>th</sup> Floor

New York, NY 10022

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Sunnyvale, California 94086

Telephone: (877) 456-3510

Telephone: (408) 735-9110

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**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

The statements contained in this proxy statement relating to the closing of the Merger and other future events are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including risks relating to receiving the approval of the holders of a majority of the outstanding shares of SST common stock as of the record date, satisfying other conditions to the closing of the Merger and other matters.

For a detailed discussion of these and other risk factors, please refer to our filings with the SEC on Forms 10-K, 10-Q and 8-K, which should be read in conjunction with this proxy statement. You can obtain copies of our Forms 10-K, 10-Q and 8-K and other filings for free at the Investors section of our website at [www.sst.com](http://www.sst.com), at the SEC website at [www.sec.gov](http://www.sec.gov) or from commercial document retrieval services.

The statements made in this proxy statement represent SST's views as of the date of this proxy statement, and it should not be assumed that the statements herein remain accurate as of any future date. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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**THE PARTIES TO THE MERGER**

**Silicon Storage Technology, Inc.**

SST is a California corporation with headquarters in Sunnyvale, California. SST designs, manufactures and markets a diversified range of memory and non-memory products for high volume applications in the digital consumer, networking, wireless communications and Internet computing markets. SST's principal executive offices are located at 1020 Kifer Road, Sunnyvale, California 94086, and our telephone number is (408) 735-9110. For more information about SST, please visit our website at [www.sst.com](http://www.sst.com). Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. SST is publicly traded on the Nasdaq Global Market under the ticker symbol SSTI.

**Microchip Technology Incorporated**

Microchip Technology Incorporated is a Delaware corporation with headquarters in Chandler, Arizona. Microchip Technology Incorporated is a leading provider of microcontroller and analog semiconductors. The principal office address of Microchip Technology Incorporated is 2355 W. Chandler Blvd., Chandler, Arizona, and its telephone number is (480) 792-7200. For more information about Microchip Technology Incorporated, please visit its website at [www.microchip.com](http://www.microchip.com). This website address is provided as an inactive textual reference only. The information provided on Microchip Technology Incorporated's website is not part of this proxy statement, and therefore is not incorporated by reference. Microchip Technology Incorporated is publicly traded on the Nasdaq Global Market under the ticker symbol MCHP.

**Sun Acquisition Corporation**

Sun Acquisition Corporation is a California corporation and is a wholly-owned subsidiary of Microchip Technology Incorporated and has not engaged in any business activity other than in connection with its formation and the Merger. The principal office address of Sun Acquisition Corporation is 2355 W. Chandler Blvd., Chandler, Arizona, and its telephone number is (480) 792-7200.

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**THE MERGER**

The discussion of the Merger and the Merger Agreement contained in this statement summarizes the material terms of the Merger and the Merger Agreement. Although we believe that the description covers the material terms of the Merger and the Merger Agreement, this summary may not contain all of the information that is important to you. We urge you to read this proxy statement, the Merger Agreement, a copy of which is attached to this proxy statement as **Annex A**, and the other documents referred to herein (including the annexes) carefully for a more complete understanding of the Merger and the Merger Agreement.

**Background of the Merger**

Over the past several years, our business has contracted in its primary markets. Despite enhancements to our core product offering, our market position has suffered as price reductions for chips have continued, and will continue, putting downward pressure on margins. Our board of directors and management team recognize that that we operate in an industry that is highly competitive and subject to constant and rapid technological change, product obsolescence, price erosion, evolving standards and short life-cycles for certain products. In addition, we have been conscious of the limited trading volume of our shares in the market. Accordingly, members of senior management and our board of directors have continuously reviewed and assessed our business strategy, the various trends and conditions affecting our business and our industry generally, and a variety of strategic alternatives as part of our long-term strategy to increase revenue and profitability and to maximize shareholder value. This review and assessment has included, among other things, consideration of whether it would be in the best interests of our shareholders to continue as a separate company and to expand through organic growth, acquisitions or a combination of the two, or to combine with or be acquired by another company. Additionally, we have explored the opportunity to liquidate, declare a special dividend, or repurchase shares.

On May 12, 2008, our board of directors established a strategic committee, or the Strategic Committee, consisting of three independent directors of our board of directors: Ronald Chwang (as Chairman), Yasushi Chikagami and Edward Y.W. Yang. The Strategic Committee was delegated the power and authority to review and evaluate stock repurchases, dividends, mergers and acquisitions and divestitures, as well as the power and authority to engage an investment/strategic advisor and such legal or other advisors as it deemed appropriate. After a review of all transactions or relationships between each director, or any of his family members, and SST, our senior management and our independent registered public accounting firm, the Board determined that all the members of the Strategic Committee were independent directors within the meaning of the applicable listing standards of The Nasdaq Stock Market LLC and did not possess a disqualifying interest with respect to any potential acquisition proposal.

Our board of directors determined that establishing a Strategic Committee was the most prudent course of action given that Bing Yeh, our Chairman and Chief Executive Officer, beneficially held approximately 11% of the outstanding shares of SST common stock at that time, and the likelihood that any financial buyer would require Mr. Yeh to roll-over his SST common stock in connection with any acquisition.

In May 2008, the Strategic Committee held meetings with numerous investment banks to discuss our strategic alternatives with the intention of selecting one bank to advise the Strategic Committee on assessing our strategic alternatives.

On June 6, 2008, the Strategic Committee selected Houlihan Lokey to serve as strategic and financial advisor to the Strategic Committee.

On June 13, 2008, the Strategic Committee met and representatives from Houlihan Lokey discussed with the Strategic Committee their initial views on our strategic alternatives. The Strategic Committee discussed with the Houlihan Lokey representatives a variety of strategic options that would enhance shareholder value and reviewed the options with respect to the near-term use of our cash balances. The Strategic Committee also discussed a



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potential share repurchase and cash dividend and determined that neither a share repurchase nor a cash dividend would be a prudent use of cash at the time, because a cash dividend would not increase SST's market value, and because it believed that neither option would create value for our shareholders. In addition, the Strategic Committee and the representatives of Houlihan Lokey discussed the possibility of finding merger and acquisition candidates as well as the potential sale of SST. The Strategic Committee instructed Houlihan Lokey to contact a number of potential candidates for an acquisition, merger or sale of SST.

On June 23, 2008, we held our Annual Meeting of Shareholders. Mr. Chikagami did not stand for re-election to our board of directors.

On June 27, 2008, the Strategic Committee, with Mr. Chikagami attending as an observer, and representatives of Houlihan Lokey met to discuss recent industry trends and our financial performance. Also discussed was the initial status of conversations with potential acquirors, merger partners, and acquisition targets, as well as the potential for divesting certain of our divisions and the recent industry trend involving joint ventures. The Strategic Committee instructed Houlihan Lokey to continue to facilitate discussions with acquirors, acquisition targets and merger partners for both the entire company and certain of our divisions, as well as joint venture candidates.

From June 2008 through December 2008, we held numerous meetings and facilitated due diligence with numerous strategic and financial parties to acquire either the entire company or certain of our divisions. During this time, 33 prospective buyers, including 18 prospective financial buyers and 15 prospective strategic buyers (not including Parent), were approached by representatives of Houlihan Lokey. Seventeen prospective buyers entered into non-disclosure agreements with us, and members of our management team gave telephonic and in-person management presentations to 15 prospective buyers. Thirteen prospective buyers, including Prophet Equity, had conference calls and meetings, and conducted due diligence to various degrees, regarding SST. Members of our management team engaged in such conference calls and meetings at the direction of the Strategic Committee.

On July 18, 2008, the Strategic Committee, and Mr. Chikagami as an observer, met and representatives of Houlihan Lokey provided to the Strategic Committee an update on its search for potential buyers of SST or certain of our divisions, as well as merger, acquisition and joint venture candidates.

On July 25, 2008, the Strategic Committee, and Mr. Riley as an observer, met and representatives of Houlihan Lokey provided to the Strategic Committee a further update on its search for potential buyers of SST or certain of our divisions, as well as merger, acquisition and joint venture candidates.

On August 18, 2008, members of our management made a management presentation to representatives from Prophet Equity, with representatives of Houlihan Lokey present.

Throughout August 2008, members of our management met with strategic and financial parties to discuss the merits of a sale of SST. We continued to provide diligence information to numerous parties, including Prophet Equity.

On September 10, 2008, the Strategic Committee, and Mr. Riley as an observer, met and representatives of Houlihan Lokey updated the Strategic Committee members on the status of various discussions around divisional divestitures, mergers, acquisition targets and a potential sale of SST.

On September 10, 2008, representatives from Prophet Equity and our management met in-person at our headquarters, with representatives of Houlihan Lokey present.

Throughout September and October 2008, members of our management held numerous meetings and diligence sessions with various strategic and financial parties, including Prophet Equity, with representatives of Houlihan Lokey present.

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On October 21, 2008, Prophet Equity submitted a non-binding indication of interest to acquire SST for an aggregate purchase price of \$300 to \$330 million in cash (which would have resulted in a per share price of \$3.00 to \$3.25 based on our then-outstanding share count). The proposal stated that it was contingent on us accepting obligations for our shareholders to indemnify Prophet Equity for breaches of our representations and warranties in the Prior Agreement for an eighteen-month period following the closing and a holdback of a portion of the purchase price in an escrow account to cover any post-closing claims, and a post-closing adjustment to the purchase price based on certain balance sheet line items. The proposal was also subject to the satisfactory completion of Prophet Equity's due diligence, and Prophet Equity's ability to obtain financing. In connection with submitting its non-binding proposal, Prophet Equity communicated to representatives of Houlihan Lokey that it would require Mr. Yeh and Dr. Hu to agree to exchange their shares of SST common stock, including beneficially held shares, for capital stock in the surviving corporation after the Merger.

On October 22, 2008, Party A submitted a non-binding indication of interest to acquire SST for the lesser of (1) \$3.00 to \$3.15 per share and (2) a 5.0% premium to the ten day volume-weighted average price of SST common stock, which was to be calculated after the public announcement and completion of our share repurchase program. The proposal from Party A was subject to, among other items, the satisfactory completion of Party A's due diligence on SST, negotiation of definitive agreement as well as the condition that Mr. Yeh and potentially other members of our senior management agree to exchange their shares of SST common stock, including beneficially held shares, for capital stock in the surviving corporation after the Merger.

On October 23, 2008, the Strategic Committee, and Messrs. Nickerson and Riley as observers, met and asked representatives of Houlihan Lokey to provide an update on the negotiations with interested parties, including Party A and Prophet Equity. The Strategic Committee asked Houlihan Lokey to engage with Party A in an effort to obtain a more definitive offer, which did not include a price per share based on market prices with no floor. In addition, the Strategic Committee and representatives of Houlihan Lokey discussed acquisition targets and joint venture opportunities, the potential for a share repurchase and the relative performance of our stock to other companies in the industry.

On October 24, 2008, the Strategic Committee, and Messrs. Nickerson and Riley as observers, met and asked representatives of Houlihan Lokey to update their review of strategic alternatives for SST. The topics discussed included the proposals received from Party A and Prophet Equity, buy-side opportunities, a Dutch tender share repurchase and joint venture opportunities. Also discussed was recent industry trends in the NOR flash market, our recent financial performance and the liquidity of the SST common stock relative to our competitors.

On October 24, 2008, Party B submitted a non-binding indication of interest to acquire SST for a range of \$2.90 to \$3.00 per share. The proposal from Party B was subject to, among other items, the satisfactory completion of Party B's due diligence on us.

On October 30, 2008, the Strategic Committee, and Messrs. Nickerson and Riley as observers, met and asked representatives of Houlihan Lokey to provide an update on the negotiations with interested parties, including Prophet Equity, Party A and Party B. At this meeting the Strategic Committee also approved the retention of Shearman & Sterling LLP, or Shearman & Sterling, as the Strategic Committee's legal advisor. Representatives of Shearman & Sterling provided the Strategic Committee with an overview of its fiduciary duties in connection with a potential transaction and related procedural matters.

Our closing trading price on October 21, 2008, the date we received Prophet Equity's non-binding indication of interest, was \$3.06 per share, our closing trading price on October 22, 2008, the date we received the proposal from Party A, was \$3.06 and our closing trading price on October 24, 2008, the date we received Party B's non-binding indication of interest, was \$2.79 per share.

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On November 7, 2008, the Strategic Committee, and Messrs. Nickerson and Riley as observers, met and asked representatives of Houlihan Lokey to present an update on the status of discussions with various strategic and financial parties. Representatives of Houlihan Lokey indicated that in addition to Prophet Equity, Party A and Party B were interested in receiving a draft merger agreement for the acquisition of SST.

On November 10, 2008, representatives of Houlihan Lokey had discussions with Party C regarding Party C's interest in engaging in a transaction with us.

On November 20, 2008, Shearman & Sterling distributed an initial draft of the Prior Agreement to Prophet Equity, Party A and Party B. Neither Party A nor Party B provided any comments or feedback on the draft Prior Agreement.

On November 21, 2008, our management met with Party C to discuss a potential transaction between SST and Party C, with representatives of Houlihan Lokey present.

In November and December 2008, our management continued to provide diligence information and meet with various strategic and financial parties including Prophet Equity, Party A, Party B and Party C, with representatives of Houlihan Lokey present. However, during this time, the ongoing severe changes in the global financial markets impacted our visibility into the business trends, our financial performance and our trading price, and led to reduced activity and interest in SST by the interested strategic and financial parties, including Prophet Equity, Party A, Party B and Party C.

On December 18, 2008, the Strategic Committee, and Messrs. Nickerson and Riley as observers, met and asked representatives of Houlihan Lokey to provide an update on the status of discussion with various parties on acquisitions, divisional divestitures and a sale of SST.

Throughout December 2008 and early January 2009, we facilitated due diligence with all interested strategic and financial parties, including Prophet Equity, Party A and Party B.

On January 12, 2009, members of Prophet Equity met at our headquarters to discuss various diligence items, with representatives of Houlihan Lokey present.

On January 14, 2009, the Strategic Committee met and asked representatives of Houlihan Lokey to present an update on the status of discussions with various strategic and financial parties. Also discussed were the recent industry trends in the NOR flash market and how they affected our relative competitiveness.

On January 22, 2009, our management met again with Party C to discuss a potential transaction between SST and Party C.

On January 23, 2009, our management met with Party D to discuss a potential transaction between SST and Party D, and to provide Party D with diligence information regarding SST.

On January 26, 2009, our management met again with Party D to discuss a potential transaction between SST and Party D, and to provide Party D with additional diligence information regarding SST.

On January 29, 2009, Prophet Equity delivered to representatives of Houlihan Lokey an initial list of issues on the draft Prior Agreement previously circulated by Shearman & Sterling on November 20, 2008.

Also on January 29, 2009, our management met again with Party C to discuss a potential transaction between SST and Party C.

On January 30, 2009, representatives of Shearman & Sterling, Houlihan Lokey and Jackson Walker L.L.P., or Jackson Walker, Prophet Equity's legal advisor, had a conference call to discuss Prophet Equity's list of issues on the draft Prior Agreement.

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On January 30, 2009, our board of directors appointed Messrs. Nickerson and Riley to the Strategic Committee.

Throughout January and February 2009, we continued to hold diligence meetings, with representatives of Houlihan Lokey present, with interested financial and strategic parties including Prophet Equity, Party A, Party C and Party D.

On February 2, 2009, Shearman & Sterling delivered an initial draft of the disclosure schedules to the Prior Agreement to Prophet Equity.

On February 4, 2009, our management met again with Party C to discuss a potential transaction between SST and Party C.

On February 13, 2009, Prophet Equity submitted a revised non-binding indication of interest to acquire SST for \$1.82 per share. Prophet Equity indicated that its reduced price was based on our lower than expected fourth quarter financial results and our downwardly revised outlook for future performance of the business. Also cited were the continuing downturns in our industry and end markets as well as difficulties faced by certain of our larger competitors. Prophet Equity and Jackson Walker also delivered a revised draft of the Prior Agreement, which included as a condition that Prophet Equity be able to obtain debt financing, included obligations for our shareholders to indemnify Prophet Equity for breaches of our representations and warranties in the Prior Agreement for an eighteen month period following the closing and included a post-closing adjustment to the purchase price based on certain balance sheet line items. The revised draft did not contain a go shop provision. The revised draft also deleted any requirement that Prophet Equity guarantee the payment obligations of Parent under the Prior Agreement. The revised draft also provided that Prophet Equity was to be reimbursed all expenses incurred by it in connection with the transaction, whether incurred before or after the execution of the Prior Agreement.

Also on February 13, 2009, our management met again with Party D to discuss a potential transaction between SST and Party D, and to provide Party D with additional diligence information regarding SST.

On February 17, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker held a teleconference during which they discussed the revised Prior Agreement delivered by Jackson Walker.

On February 20, 2009, Prophet Equity sent a letter to our board of directors outlining its view on the status of the transaction, and its rationale for its proposed purchase price of \$1.82 per share.

On February 23, 2009, the Strategic Committee met with representatives of Houlihan Lokey to discuss the proposal from Prophet Equity as well as the status of discussions with other parties, including Party A. Representatives of Shearman & Sterling also attended and reviewed for the Strategic Committee the legal terms of Prophet Equity's proposal. The Strategic Committee asked representatives of Houlihan Lokey and Shearman & Sterling to continue to negotiate with Prophet Equity to obtain improved terms. The Strategic Committee also instructed Houlihan Lokey to continue discussions with the other interested strategic and financial parties, including Party A. The Strategic Committee also discussed other alternatives such as a dividend or share repurchase. Given the lack of visibility of the business operating results and the pending bankruptcies affecting the memory industry, the Strategic Committee determined that it was in the best interest of our shareholders to retain our cash. Following the meeting, Shearman & Sterling delivered a revised draft of the Prior Agreement to Prophet Equity and Jackson Walker reflecting the feedback from the Strategic Committee.

On February 24, 2009, our management met again with Party D to discuss a potential transaction between SST and Party D, and to provide Party D with additional diligence information regarding SST.

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Throughout March 2009, we and representatives of Houlihan Lokey continued to conduct meetings and due diligence with interested strategic and financial parties, including Prophet Equity, Party A, Party C and Party D. In addition, during this time, Prophet Equity worked with its financing sources to obtain the necessary financing to complete the transaction.

On April 14, 2009, Prophet Equity sent a letter to our board of directors and the Strategic Committee outlining the current status of the transaction. Prophet Equity and Jackson Walker also delivered a revised draft of the Prior Agreement, which contained a go-shop provision, but also continued to include the financing, indemnification and guarantee terms contained in the February 13, 2009 draft.

Also on April 14, 2009, the Strategic Committee met to discuss the revised terms of Prophet Equity's proposal. Representatives of Houlihan Lokey provided an update on the status of negotiations with Prophet Equity and to provide an update on Prophet Equity's financing discussions. Representatives of Shearman & Sterling provided an update on the revised draft of the Prior Agreement received from Prophet Equity and Jackson Walker. The Strategic Committee and representatives of Houlihan Lokey also discussed our shareholder rights plan and the viability of a share buyback. Also discussed was our revenue size and manufacturing capabilities relative to our competitors. The shareholder rights plan was allowed to expire according to its terms.

On April 15, 2009, Shearman & Sterling sent a revised draft of the Prior Agreement to Prophet Equity and Jackson Walker reflecting the feedback from the Strategic Committee. Also on April 15, 2009, representatives of Shearman & Sterling, Prophet Equity and Jackson Walker conducted a conference call to discuss the revised draft of the Prior Agreement.

On April 20, 2009, the Strategic Committee met to discuss our shareholder rights plan and related issues. Representatives from Houlihan Lokey, Cooley Godward Kronish LLP, or Cooley, counsel to SST, and Shearman & Sterling were in attendance.

On April 23, 2009, Prophet Equity and Jackson Walker delivered a revised draft of the Prior Agreement, which deleted the indemnification term contained in the April 14, 2009 draft, but continued to retain the financing and guarantee terms in the April 14, 2009 draft. Later on April 23, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker conducted a conference call to discuss the revised draft of the Prior Agreement. After the conference call, the Strategic Committee met and representatives of Houlihan Lokey and Shearman & Sterling provided an update on the revised terms with Prophet Equity.

On April 24, 2009, Prophet Equity and Jackson Walker delivered a revised draft of the Prior Agreement, which was substantially similar to the draft received on April 23, 2009, other than the proposed expense reimbursement was limited to expenses incurred after signing of the definitive Prior Agreement.

Throughout April 2009, we and representatives of Houlihan Lokey continued to conduct meetings and due diligence with interested strategic and financial parties, including Prophet Equity, Party A and Party D.

On April 30, 2009, Prophet Equity indicated to representatives of Houlihan Lokey that it would be willing to guarantee certain of the payment obligations of Parent and Merger Sub under the Prior Agreement, up to a maximum amount equal to the termination fee, and provided proposed language for such a guarantee. Also on April 30, 2009, Shearman & Sterling sent a revised draft of the Prior Agreement to Prophet Equity and Jackson Walker.

On May 1, 2009, Prophet Equity sent an email to representatives of Houlihan Lokey outlining its view on the status of the transaction, and the status of the negotiations. Representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker also held a conference call to discuss the open points in the draft Prior Agreement. Later on May 1, 2009, the Strategic Committee met to discuss the status of the proposal from

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Prophet Equity. Representatives of Houlihan Lokey were asked to provide an overview of the proposal as well as update the Strategic Committee on the status of discussions with Party A, Party C and Party D as well as discussion with acquisition targets and joint venture candidates. Representatives of Shearman & Sterling provided an update on the status of the Prior Agreement.

On May 4, 2009, the Strategic Committee met again to discuss the Prophet Equity proposal. Representatives of Houlihan Lokey and Shearman & Sterling provided an overview of the transaction terms and the terms of the Prior Agreement. After discussions, the Strategic Committee decided not to recommend the transaction to the full board of directors for approval because, among other reasons, the proposed purchase price per share of \$1.82 and the other terms of the proposal did not adequately value the SST business and was not in the best interest of shareholders.

From May 2009 until July 2009, we continued to hold diligence meetings, with representatives of Houlihan Lokey present, with interested financial and strategic parties including Prophet Equity, Party A and Party D. In addition, our management held meetings regarding the possibility of acquiring other businesses and divesting certain of our divisions.

On July 15, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker held a conference call during which Prophet Equity provided an update on the status of its negotiations with potential debt financing sources, and during which the parties discussed the open points in the draft Prior Agreement.

On July 17, 2009, Prophet Equity submitted a draft equity commitment letter, and Prophet Equity and Jackson Walker delivered a revised draft of the Prior Agreement. The revised draft of the Prior Agreement continued to include as a condition that Prophet Equity be able to obtain debt financing and the expense reimbursement provisions contained in the April 24, 2009 draft, but now included a guarantee by Prophet Equity of certain of the payment obligations of Parent and Merger Sub under the Prior Agreement, up to a maximum amount equal to the termination fee.

On July 20, 2009, the Strategic Committee met to discuss the Prophet Equity proposal. Representatives of Houlihan Lokey and Shearman & Sterling provided updates on the transaction and Prior Agreement terms. The Strategic Committee also asked representatives of Houlihan Lokey to provide an overview of the status of discussion with potential parties to a transaction as well as review potential acquisition targets for us. The Strategic Committee and representatives of Houlihan Lokey discussed the strategic rationale for a number of acquisition targets. In addition, the Strategic Committee and representatives of Houlihan discussed other uses of SST's cash including share repurchases, dividends and joint venture opportunities. The Strategic Committee instructed Houlihan Lokey to continue to facilitate discussions with potential acquisition targets.

From July until October 2009, members of our management continued to hold discussions with potential strategic and financial acquirors, including Prophet Equity, Party A and Party D. At the request of the Strategic Committee, our management also held meetings with potential acquisition targets.

On August 14, 2009, the Strategic Committee met to discuss the merits of a potential Dutch tender share buyback in an effort to maximize value for all shareholders, rather than for only specific shareholders who requested liquidity from time to time.

On August 17, 2009, the Strategic Committee met with representatives of Houlihan Lokey to further discuss the merits of a Dutch tender share buyback. Given our lack of trading and recent operating cash burn, the Strategic Committee determined it was in the best interest of all shareholders to retain our cash.

On August 20, 2009, we entered into a non-disclosure agreement with Party C, and Party C began conducting due diligence on us. Also on August 20, 2009, the Strategic Committee communicated to Party C its interest in exploring a transaction with Party C.

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On September 11, 2009, our management and representatives of Houlihan Lokey met with Prophet Equity and its lending partners to discuss our recent financial performance.

On October 9, 2009, our management, representatives of Houlihan Lokey, Party C and Party C's financial advisors held a meeting to discuss a potential transaction between SST and Party C. SST agreed to provide Party C with additional diligence information regarding SST.

On October 16, 2009, the Strategic Committee met with representatives of Houlihan Lokey to discuss the status of recent meetings with potential strategic acquirors, as well as to provide an update on the discussions involving potential acquisition targets.

During October 2009, our management continued to hold meetings with strategic and financial acquirors, as well as with potential acquisition targets.

On October 29, 2009, Prophet Equity submitted a revised proposal to acquire us for \$2.10 per share. The proposal included revised terms and conditions, and continued to include a go-shop provision. The revised proposal also included equity and debt commitment letters, from Prophet Equity and Petrus Investments L.P., respectively.

On November 3, 2009, the Strategic Committee met to discuss the revised proposal received from Prophet Equity. Representatives of Houlihan Lokey were asked to provide an overview of the proposal as well as update the Strategic Committee on the status of other discussions. The Strategic Committee instructed Houlihan Lokey to continue to negotiate with Prophet Equity. In addition, Houlihan Lokey was instructed to continue discussions with other parties.

On November 4, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker conducted a conference call to discuss the terms of the Prior Agreement.

On November 5, 2009, the Strategic Committee met to discuss the revised proposal received from Prophet Equity. Representatives of Houlihan Lokey and Shearman & Sterling provided an update on the discussions and negotiations that occurred on November 4, 2009. Also on November 5, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker continued to discuss the terms of the Prior Agreement and related ancillary agreements.

On November 6 through 9, 2009, representatives of Shearman & Sterling, Houlihan Lokey, Prophet Equity and Jackson Walker exchanged drafts of the Prior Agreement and related ancillary agreements, and engaged in conference calls regarding open items.

On November 10, 2009, the Strategic Committee met to discuss the revised proposal received from Prophet Equity. Representatives of Houlihan Lokey were asked to provide an update on the discussion with Prophet Equity as well other strategic and financial acquirors. The Strategic Committee asked Houlihan Lokey to conduct a potential liquidation analysis to discuss with the Strategic Committee the following day. Representatives of Shearman & Sterling reviewed with the Strategic Committee its fiduciary duties, the terms of the Prior Agreement, and the issues in the Prior Agreement that remained open. During the Strategic Committee meeting, Mr. Riley objected to our undertaking a sale of SST, and expressed the opinion that the Strategic Committee should evaluate the liquidation value of SST. Mr. Riley departed the Strategic Committee meeting prior to its conclusion. The Strategic Committee asked representatives of Houlihan Lokey to work with our management team (other than Mr. Yeh and Dr. Hu) to prepare an analysis of the liquidation value for presentation at a Strategic Committee meeting the following day. Representatives of Shearman & Sterling, Prophet Equity and Jackson Walker continued to negotiate the terms of the Prior Agreement and related ancillary agreements. Cooley delivered a revised draft of the disclosure schedules to the Prior Agreement to Prophet Equity and Jackson Walker.

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On November 11, 2009, the Strategic Committee met to discuss the revised proposal received from Prophet Equity. Representatives of Houlihan Lokey reviewed their analysis regarding a potential liquidation of SST. Mr. Riley reiterated his opposition to a sale of SST based on his view that the proposed purchase price undervalued SST, and that a gradual wind-down and liquidation of SST would result in greater value for our shareholders. Representatives of Shearman & Sterling and Jackson Walker continued to negotiate the terms of the Prior Agreement, related ancillary agreements and the disclosure schedules to the Prior Agreement.

On November 12, 2009, the Strategic Committee met to review the current proposal from Prophet Equity. Representatives of Shearman & Sterling reviewed with the Strategic Committee its fiduciary duties, the terms of the Prior Agreement, and the resolution of the open issues in the Prior Agreement. At the request of the Strategic Committee, Houlihan Lokey was asked to render a fairness opinion. The Strategic Committee then voted to recommend that our board of directors approve the Prior Agreement and the transaction with Prophet Equity. Three of the four members of the Strategic Committee voted in favor of the transaction with Prophet Equity, and Mr. Riley voted against the transaction with Prophet Equity because he believed that the proposed purchase price undervalued SST, and that a gradual wind-down and liquidation of SST would result in greater value for our shareholders. At a meeting of our board of directors, the Strategic Committee recommended to our board of directors that it approve the Prior Agreement and the transaction with Prophet Equity. Our board of directors then voted to approve the transaction with Prophet Equity, with Mr. Yeh and Dr. Hu abstaining, and Mr. Riley voting against. Following the vote on the transaction, Mr. Riley submitted his resignation as a member of our board of directors and all its committees.

Although Party A continued to conduct diligence and engage with our management and representatives of Houlihan Lokey following its October 28, 2008 indication of interest, it never provided an updated indication of interest to acquire SST or commented on the legal documents provided by Shearman & Sterling. In addition, although they conducted diligence and met with our management several times, Parties C and D never provided an indication of interest to acquire SST.

On November 13, 2009, we and affiliates of Prophet Equity, Technology Resources Holdings, Inc. and Technology Resources Merger Sub, Inc., entered into the Prior Agreement, a limited guarantee and an equity commitment letter, Parent and Merger Sub entered into voting agreements with Mr. Yeh and Dr. Hu, and Parent, Mr. Yeh and Dr. Hu entered into a contribution agreement. We issued a press release announcing the transaction following execution of the various transaction documents and prior to the opening of trading on the Nasdaq Global Market.

Beginning November 13, 2009, under the supervision of the Strategic Committee, representatives of Houlihan Lokey began renewed contact of parties that they believed would be capable of, and might be interested in, consummating an acquisition of SST.

On November 16, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the potential parties that Houlihan Lokey would solicit during the 45 day go-shop period contained in the Prior Agreement.

During the go-shop period, the Strategic Committee, with the assistance of representatives of Houlihan Lokey, contacted 140 potential partners. Of the 140 parties, 35 entered into non-disclosure agreements with SST. This was the first contact between SST and Parent.

On November 23, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the progress of contacting potential partners and the arranging of due diligence meetings. Houlihan Lokey representatives provided an update on recent developments and the schedule of upcoming meetings with interested parties.

On November 25, 2009, our management met telephonically with Party A to provide an update on our business and our recent financial performance.



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On November 30, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the recent meetings with various strategic and financial parties.

Also on November 30, 2009, SST entered into a non-disclosure agreement with Parent.

Throughout December 2009, our management held numerous meetings with several potential strategic and financial parties including Party A, Party B, and Party D. Our management continued to provide diligence information to all interested parties and participated in numerous meetings to discuss the diligence information.

On December 2, 2009, Bertrand Cambou, our President, and James Boyd, our Senior Vice President Finance and Chief Finance Officer met telephonically with management of Parent. Our management provided an overview of SST and discussed the recent trends in the business.

Also on December 2, 2009, our management held an in person diligence session with Party A. In addition, throughout that week Party A and our management held numerous telephonic conference calls to discuss diligence items.

On December 4, 2009, our management met telephonically with Party B to provide an update on the business and recent financial performance.

On December 7, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the recent meetings with various strategic and financial parties. In addition, Houlihan Lokey representatives provided an update on the progress of the due diligence of interested parties.

On December 7, 2009, Mr. Cambou and Mark Reiten, our Vice President Business Development and Technology Licensing, held a telephonic meeting with management of Parent to discuss our licensing business.

On December 10, 2009, our management met telephonically with Party D to provide an update on the business and recent financial performance.

During the week beginning December 13, 2009, our management participated in various meetings, conference calls and due diligence sessions with various strategic and financial parties including Party A, Party B and Party D.

On December 14, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the progress of discussions relating to the go-shop process. Houlihan Lokey representatives provided an update on the recent meetings held and the upcoming meetings scheduled with the remaining interested parties.

On December 15, 2009, our management held an in-person meeting with members of Party D to discuss various due diligence items.

On December 16, 2009, our management held a telephonic meeting with Party E to provide an overview of the business and discuss recent trends.

On December 21, 2009, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the progress of the remaining interested parties participating in the go-shop. Houlihan Lokey provided an update on the recent discussions held. In addition, Shearman & Sterling representatives provided an overview of the factors the Strategic Committee should consider in determining whether to designate any of the interested parties as Excluded Parties pursuant to the Prior Agreement.

On December 23, 2009, Party A submitted a proposal to acquire SST for \$2.25 per share. Party A's proposal contemplated that Mr. Yeh and potentially other members of our senior management agree to exchange their

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shares of SST common stock, including beneficially held shares, for capital stock in the surviving corporation after the Merger, and was not contingent on Party A obtaining third party financing.

On December 27, 2009, the Strategic Committee received proposals from each of Parent, Party D and Party F. Parent's proposal contemplated acquiring SST for \$2.45 per share. Parent's proposal did not contemplate any participation by Mr. Yeh or other members of our senior management, and was not contingent on Parent obtaining third party financing. Parent's proposal was contingent on confirmatory due diligence, but noted that it was willing to work in an expeditious manner to do so. Party D's proposal contemplated acquiring SST for \$2.50 per share. Party D's proposal contemplated that Mr. Yeh and potentially other members of our senior management would have the opportunity to exchange their shares of SST common stock, including beneficially held shares, for capital stock in the surviving corporation after the merger, and was not contingent on Party D obtaining third party financing. Party D's proposal was contingent on completion of its due diligence, but noted that it was willing to work on any reasonable time period. The proposal received from Party F was the first contact between the Strategic Committee and Houlihan Lokey, and Party F. Party F's proposal contemplated acquiring SST for a price per share of \$2.60 to \$3.00. Party F's proposal required SST to enter into exclusive negotiations with Party F until April 15, 2010. Party F's proposal did not contemplate any participation by Mr. Yeh or other members of our senior management. Party F's proposal mentioned delivering a financing commitment letter to SST from a major Asian bank not later than within seven days of its proposal, and it was unclear as to whether Party F's proposal was contingent on Party F obtaining such third party financing. Party F's proposal was contingent on completion of its due diligence, which it expected to complete within nine calendar weeks.

Also on December 27, 2009, on behalf of the Strategic Committee, Shearman & Sterling sent a notification to Prophet Equity and Jackson Walker of the proposals received from Parent, Party A, Party D and Party F by the Strategic Committee. Between December 27, 2009 and February 2, 2010, on behalf of the Strategic Committee, Shearman & Sterling provided Prophet Equity and Jackson Walker prompt notice of new or modified proposals received by the Strategic Committee.

On December 28, 2009, Party E submitted a proposal to acquire SST for \$2.25 per share. Party E's proposal contemplated that Mr. Yeh and potentially other members of our senior management agree to exchange their shares of SST common stock, including beneficially held shares, for capital stock in the surviving corporation after the merger, and was not contingent on Party E obtaining third party financing. Party E's proposal was contingent on completion of its due diligence, but noted that Party E was ready to begin such due diligence immediately, and that it expected to be able to complete such due diligence promptly.

On December 28, 2009, Party F submitted a revised proposal to acquire SST. Party F's proposal was substantially similar to the proposal it submitted on December 27, 2009, with the following changes: (1) the revised proposal stated that it was not contingent on obtaining any third party financing and (2) the revised proposal shortened the time frame for Party F to complete its due diligence from nine calendar weeks to by the end of January 2010.

On December 29, 2009, Party A submitted a revised proposal to acquire SST for \$2.40 per share, which would increase to \$2.45 per share if SST entered into a definitive agreement with Party A by 5:00 p.m. Pacific Standard Time on January 5, 2010.

Following receipt of Party A's revised proposal, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the proposals received from Party A, Parent, Party D, Party E and Party F. During the meeting, Jackson Walker sent a communication to the Strategic Committee expressing Prophet Equity's position that none of the parties who submitted proposals to the Strategic Committee could be designated as Excluded Parties pursuant to the Prior Agreement. Representatives of Houlihan Lokey provided an overview of the proposals received and the history of the discussions with each of Party A, Parent, Party D, Party E and Party F. Shearman & Sterling again provided an overview of the factors the Strategic Committee

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should consider in determining whether to designate any of the interested parties as Excluded Parties pursuant to the Prior Agreement. Representatives of Shearman & Sterling also provided the Strategic Committee with its initial analysis of the arguments made in the communication from Prophet Equity regarding the designation of Excluded Parties. After discussing the relevant factors with respect to each proposal, the Strategic Committee determined to designate Parent, Party A, Party D, Party E and Party F as Excluded Parties pursuant to the Prior Agreement. In addition, the Strategic Committee determined not to seek to enter into a transaction with Party A before January 5, 2010 given that it was not the highest per share price offered and that there was sufficient interest from other Excluded Parties.

On the evening of December 29, 2009, representatives of Shearman & Sterling notified Prophet Equity and Jackson Walker that Parent, Party A, Party D, Party E and Party F were designated as Excluded Parties pursuant to the Prior Agreement. In such notice, Shearman & Sterling also detailed the Strategic Committee's analysis in designating each of such parties as Excluded Parties.

On December 30, 2009, representatives of Houlihan Lokey notified Parent, Party A, Party D, Party E and Party F that they were designated Excluded Parties pursuant to the Prior Agreement by the Strategic Committee and would be allowed to continue due diligence and negotiations with the Strategic Committee.

On December 31, 2009, Jackson Walker sent a letter to the Strategic Committee reasserting Prophet Equity's position that none of Parent, Party A, Party D, Party E and Party F could properly be designated as Excluded Parties pursuant to the Prior Agreement.

On January 4, 2010, a group of shareholders sent a letter to our board of directors urging our board of directors to reconsider the decision to enter into the transaction contemplated by the Prior Agreement.

On January 4, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the proposals received from the Excluded Parties, and to determine the timeline for selecting a final proposal. The Strategic Committee asked Houlihan Lokey to establish a process whereby Excluded Parties would be encouraged to submit final proposals by January 18, 2010.

On January 5, 2010, Houlihan Lokey notified all Excluded Parties of the January 18, 2010 objective.

Throughout January 2010, our management continued to provide due diligence information and facilitate meetings with the Excluded Parties in order to assist them in completing their due diligence. In addition, representatives of Shearman & Sterling held numerous telephonic meetings with the legal advisors for all of the Excluded Parties to negotiate the terms of the definitive documents, and exchanged draft definitive documents with several of the Excluded Parties, which were provided to Prophet Equity pursuant to the terms of the Prior Agreement.

On January 7 and 8, 2010, our management held in person due diligence meetings with Party A to discuss a variety of business items.

On January 7, 2010, Cerberus Capital Management, L.P., or Cerberus, filed a Schedule 13D with the SEC disclosing the fact that Cerberus had executed a term sheet with Mr. Yeh, in which, solely in the event Mr. Yeh's contribution and voting agreements with Prophet Equity were terminated, Mr. Yeh agreed to exchange his shares of SST common stock, including beneficially held shares, exclusively for capital stock in the surviving corporation after a merger with an affiliate of Cerberus, and to vote in favor of a transaction with Cerberus and against a transaction with any other party. The term sheet with Cerberus by its terms did not become effective until Mr. Yeh's contribution and voting agreements with Prophet Equity were terminated and will terminate on the earlier of (1) six months after December 29, 2009 and (2) the date Cerberus voluntarily withdrew from pursuing a transaction with SST.

On January 7, 2010, Party E notified the Strategic Committee that it had determined it was not interested in pursuing an acquisition of SST at higher price levels than those set forth in its December 28 proposal.

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On January 8, 2010, our management held a telephonic meeting with Party F.

On January 11, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of the due diligence being conducted by the Excluded Parties and the negotiations regarding the definitive documents with each Excluded Party. The Strategic Committee also discussed the term sheet between Cerberus and Mr. Yeh, and its possible implications for the go-shop process.

On January 12, 2010, Messrs. Boyd, Cambou, Reiten and Yeh, Dr. Hu and William Kinzie, our Controller, Paul Lui, our Senior Vice President, NSP Business Unit, David Fox, our Manager, Financial Planning & Analysis, and Doug Lee, our Vice President, Memory Products, and Parent management held an in person meeting to further discuss the operations of our business and recent trends in our business.

On January 13 and 14, 2010, our management held in person due diligence meetings with Party D to discuss a variety of business items.

On January 15, 2010, a group of shareholders filed a preliminary proxy to solicit votes against the transaction with Prophet Equity.

On January 17, 2010, the Strategic Committee received a revised proposal from Parent, which contemplated acquiring SST for \$2.52 per share. In its revised proposal, Parent indicated that its due diligence was complete.

On January 18, 2010, the Strategic Committee received revised proposals from Party A and Party F. The Party A proposal contemplated acquiring SST for \$2.50 per share. The Party F proposal contemplated acquiring SST for \$2.70 per share. In their revised proposals, Party A indicated that its due diligence was complete and Party F indicated that its proposal was contingent on further due diligence. Also on January 18, 2010, the Strategic Committee received a revised proposal from Parent, in which Parent indicated that its January 17, 2010 proposal was a binding commitment by Parent to execute a definitive agreement with SST between 4:00 p.m. Eastern Time on Monday, January 25, 2010 and ending at 9:00 a.m. Eastern Time on Thursday, January 28, 2010.

On January 18, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the revised proposals received from the Excluded Parties. The Strategic Committee asked Houlihan Lokey and Shearman & Sterling to further clarify a number of items in each Excluded Parties proposal and report back to the Strategic Committee.

On January 19, 2010, Party D notified the Strategic Committee that it had determined it was not interested in pursuing an acquisition of SST at higher price levels than those set forth in its December 27 proposal.

Also on January 19, 2010, the Strategic Committee entered into an amended engagement letter with Houlihan Lokey, as described in The Merger Opinion of the Financial Advisor to SST's Strategic Committee.

At 9:00 a.m. Pacific Time on January 20, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to further discuss the legal, financial and due diligence requirements of the remaining Excluded Parties. The Strategic Committee asked for further clarification on a number of legal and financial items and determined to hold another meeting later in the day to decide whether any of the proposals received from the Excluded Parties constituted a Superior Proposal pursuant to the Prior Agreement.

Following the Strategic Committee's meeting, also on January 20, 2010, the Strategic Committee received a revised proposal from Parent, which contemplated acquiring SST for \$2.70 per share. Parent's revised proposal indicated that it was a binding commitment by Parent to execute a definitive agreement with SST between 4:00 p.m. Eastern Time on Monday, January 25, 2010 and ending at 9:00 a.m. Eastern Time on Thursday, January 28, 2010.

At 5:00 p.m. Pacific Time on January 20, 2010, the Strategic Committee again met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the proposals received from the Excluded Parties.

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Representatives of Houlihan Lokey provided an overview of the proposals received and the history of the discussions with each of the Excluded Parties. Representatives of Shearman & Sterling provided an overview of the factors the Strategic Committee should consider in determining whether any of the proposals constituted a Superior Proposal pursuant to the Prior Agreement. After discussion, the Strategic Committee determined that Parent's proposal constituted a Superior Proposal pursuant to the Prior Agreement, and determined to recommend that our full board of directors make the same determination.

At 9:30 p.m. Pacific Time on January 20, 2010, our board of directors met with representatives of Houlihan Lokey, Shearman & Sterling and Cooley to discuss the proposals received from the Excluded Parties and the Strategic Committee's determination that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement. Our board of directors then unanimously determined that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement. Our board of directors then instructed Houlihan Lokey and Shearman & Sterling to notify Prophet Equity of such determination, and that, pursuant to the terms of the Prior Agreement, Prophet Equity would have three business days to respond. Immediately following the meeting of the board of directors, representatives of Shearman & Sterling notified Prophet Equity and Jackson Walker that our board of directors had determined that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement.

On January 22, 2010, Party F submitted a revised proposal to acquire SST for \$2.85. Party F's proposal was contingent on its completion of due diligence. Despite requests made by representatives of Houlihan Lokey and Shearman & Sterling, Party F continued to fail to provide information regarding Party F's financial ability to consummate a transaction, and constituent information regarding Party F in order for the Strategic Committee to assess potential regulatory issues related to consummating a transaction with Party F.

Between January 20, 2010 and January 27, 2010, representatives of Houlihan Lokey and Shearman & Sterling held several telephonic meetings with representatives of Prophet Equity and Jackson Walker.

In the evening of January 24, 2010, the Strategic Committee held a meeting with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of negotiations with Prophet Equity.

On January 25, 2010, Party A submitted a revised proposal to acquire SST for \$2.75 per share.

Also on January 25, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the negotiations with Prophet Equity and the new proposal received from Party A. Representatives of Shearman & Sterling outlined for the Strategic Committee the differences between the proposals as they related to transaction completion certainty, including with respect to the ability of the potential purchaser to obtain third party financing, or fund a transaction in the absence of such third party financing. The Strategic Committee instructed Houlihan Lokey and Shearman & Sterling to clarify certain items with each party.

On January 26, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of the negotiations with Prophet Equity, Parent and Party A. The Strategic Committee determined not to seek to enter into a transaction with Parent at its proposed price of \$2.70 per share, and instructed both Houlihan Lokey and Shearman & Sterling to further negotiate with each party.

On January 27, 2010, Parent submitted a revised proposal to acquire SST for \$2.85 per share.

At 6:00 p.m. on January 27, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of the negotiations with Prophet Equity, Parent and Party A. Representatives of Houlihan Lokey provided an overview of the proposals received and the history of the discussions with each of Prophet Equity, Parent and Party A. Representatives of Shearman & Sterling again provided an overview of the factors the Strategic Committee should consider in determining whether any of the proposals constituted a Superior Proposal pursuant to the Prior Agreement. After discussion, the Strategic

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Committee determined that Parent's revised proposal constituted a Superior Proposal pursuant to the Prior Agreement, and determined to recommend that our full board of directors make the same determination.

At 7:00 p.m. Pacific Time on January 27, 2010, our board of directors met with representatives of Houlihan Lokey, Shearman & Sterling and Cooley to discuss the negotiations with Prophet Equity, Parent and Party A and the Strategic Committee's determination that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement. Our board of directors then unanimously determined that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement. Our board of directors then instructed Houlihan Lokey and Shearman & Sterling to notify Prophet Equity of such determination, and that, pursuant to the terms of the Prior Agreement, Prophet Equity would have three business days to respond. Immediately following the meeting of the board of directors, representatives of Shearman & Sterling notified Prophet Equity and Jackson Walker that our board of directors had determined that the Parent proposal constituted a Superior Proposal pursuant to the Prior Agreement.

Between January 27, 2010 and February 2, 2010, representatives of Houlihan Lokey and Shearman & Sterling held several telephonic meetings with representatives of Prophet Equity and Jackson Walker.

On February 1, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of the negotiations with Prophet Equity. The Strategic Committee instructed Shearman & Sterling to attempt to obtain information from Prophet Equity regarding the certainty of its ability to consummate the transaction.

At 12:00 p.m. Pacific Time on February 2, 2010, the Strategic Committee met with representatives of Houlihan Lokey and Shearman & Sterling to discuss the status of the negotiations with Prophet Equity, including whether Prophet Equity had provided any information regarding the certainty of its ability to consummate the transaction. Representatives of Shearman & Sterling and Houlihan Lokey confirmed that they had received no new information from Prophet Equity or Jackson Walker despite written and oral requests for such information. During the meeting, Prophet Equity submitted a revised proposal to acquire SST for \$2.90 per share. The Strategic Committee discussed the certainty of Prophet Equity's ability to consummate the transaction. Subsequent to that discussion, the Strategic Committee determined that, taking into all factors relating to Prophet Equity's revised proposal, failure to terminate the Prior Agreement to enter into a definitive agreement with Parent would reasonably be expected to constitute a breach of its fiduciary duties to our shareholders. Houlihan Lokey then rendered an opinion as to the fairness, from a financial point of view, of the Merger consideration to be received by holders of SST common stock to such holders. The Strategic Committee then unanimously determined to recommend that our board of directors approve the Merger Agreement and the transaction with Parent.

Immediately after the Strategic Committee meeting concluded, at 3:40 p.m. Pacific Time on February 2, 2010, our board of directors met with representatives of Houlihan Lokey, Shearman & Sterling and Cooley to discuss the status of negotiations with Prophet Equity. The Strategic Committee discussed the factors leading to its recommendation that our board of directors approve the Merger Agreement and the transaction with Parent. Following the presentation by the Strategic Committee, the board of directors held a recess for Mr. Yeh and Dr. Hu to consult with their personal legal advisors.

At 7:00 p.m. Pacific Time on February 2, 2010, the meeting of our board of directors reconvened and a vote was held where our board of directors approved the transaction with Parent, with Mr. Yeh and Dr. Hu abstaining.

Following the meeting of our board of directors, the Strategic Committee notified Prophet Equity that it was terminating the Prior Agreement in order to enter in a definitive agreement with Parent. Concurrently therewith, the Strategic Committee delivered a check in the amount of \$4,025,875 to Prophet Equity as payment of the termination fee pursuant to the Prior Agreement. Following the termination, SST and Parent entered into the Merger Agreement.

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On February 3, 2010, Parent and SST each issued press releases announcing the transaction prior to the opening of trading on the Nasdaq Global Market.

**Reasons for the Merger of SST and Recommendation of the Boar**