

NETLOGIC MICROSYSTEMS INC  
Form PRER14A  
September 16, 2009  
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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**

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**

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to §240.14a-12

**NETLOGIC MICROSYSTEMS, INC.**

(Name of Registrant as Specified in its Charter)

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

Payment of filing fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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(4) Date Filed:

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**Preliminary Copy**

**NETLOGIC MICROSYSTEMS, INC.**

1875 Charleston Road

Mountain View, CA 94043

[ ], 2009

Dear Stockholder:

On May 31, 2009, NetLogic Microsystems, Inc. and its wholly owned subsidiary Roadster Merger Corporation, or merger sub, entered into an agreement and plan of merger and reorganization to acquire RMI Corporation, a provider of high-performance and low-power multi-core, multi-threaded processors. The agreement provides for NetLogic to pay the RMI stockholders as acquisition consideration a combination of cash and shares of NetLogic common stock at closing and, subject to the attainment of revenue milestones for the acquired business, at the end of a twelve-month post-closing earn-out period. The nominal value of the consideration to be paid at closing as specified in the merger agreement is \$181.35 million plus \$2.0 million as an advance earn-out payment. The nominal value of the maximum remaining earn-out consideration as specified in the merger agreement is \$68.0 million. In addition, the agreement provides for NetLogic to issue common stock, restricted stock units and stock options as equity incentives (most of which are subject to vesting requirements based on continued employment) to employees of RMI. The actual value of the consideration to be paid at closing and as earn-out consideration may be more or less than the nominal values specified in the merger agreement, as explained in the accompanying proxy statement.

The actual number of shares and amount of cash payable by NetLogic as acquisition consideration will depend on several variables, including the applicable closing price for our common stock, as more fully explained in the accompanying proxy statement. The exact number of shares of common stock to be issued (and total amount of cash to be paid) at the closing date and the end of the earn-out measurement period is not presently known. The maximum number of shares of common stock that we would be required to issue as acquisition consideration (including the earn-out portion, assuming attainment of all objectives) is approximately 9,050,000 shares, although based on the recent prices for our common stock we expect the actual number of shares that will be issued to be between [ ] and [ ]. Similarly, although we expect the actual number of shares to be issued as incentive awards to be between [ ] and [ ], the maximum number of additional shares of common stock that we would be required to issue to continuing RMI employees as incentive awards is approximately 4,030,000 shares (assuming full vesting and exercise of all stock options and restricted stock units to be issued and an applicable closing price of \$26.97 per share). We currently have approximately 22,300,000 shares of common stock outstanding so the issuance of the maximum of 13,080,000 shares would represent a roughly 58.7% increase in the number of shares of NetLogic common stock outstanding prior to the merger. In all events, the total number of shares that we may be required to issue in connection with the merger will exceed 20% of the number of shares issued and outstanding prior to the merger, and therefore, under the Nasdaq Listing Rules we must obtain the approval of our stockholders for the shares that could be issued in the transaction. This is also a condition to the obligation of each party to consummate the merger.

**You are cordially invited to attend the special meeting of NetLogic stockholders to be held on [ ], 2009, [ ] a.m., Pacific time, at the offices of [ ]. At the Special Meeting, we will ask you to consider and vote on the proposal to approve the issuance of a maximum of 13,080,000 shares of NetLogic common stock in connection with the proposed acquisition of RMI.**

**Your vote is very important.** We cannot complete the merger and the other transactions contemplated by the merger agreement unless the proposed issuance of NetLogic common stock is approved by the affirmative vote of a majority of the shares of NetLogic common stock present in person and voting on the proposal or represented by proxy and voting on the proposal.

The accompanying proxy statement will provide you with information regarding the merger and other transactions contemplated by the merger agreement and information about RMI. **We urge all of our stockholders to read this proxy statement in its entirety, including the section entitled Risk Factors beginning on page 8.**

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On behalf of our board of directors, we thank you for your support and appreciate your consideration of this matter. We look forward to seeing you at the special meeting.

Sincerely,

Ronald S. Jankov

*President and Chief Executive Officer*

First mailed to stockholders on

or about [ ], 2009

**YOUR VOTE IS IMPORTANT.**

**PLEASE REMEMBER TO PROMPTLY RETURN YOUR PROXY.**

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**ADDITIONAL INFORMATION**

This proxy statement incorporates important business and financial information about NetLogic Microsystems, Inc. from other documents that are not included in this proxy statement. However, these documents have been furnished to you with this proxy statement. For a listing of the documents incorporated by reference into and accompanying this proxy statement, see **Where You Can Find More Information; Incorporation by Reference** beginning on page 96 of this proxy statement. Additional copies of these documents are available to you without charge upon your written or oral request. Please note that copies of the documents furnished with this proxy statement or requested by you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this proxy statement. You can obtain these documents through the Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov) or by requesting them in writing or by telephone at the address below:

By mail:                   NetLogic Microsystems, Inc.  
                              1875 Charleston Road  
                              Mountain View, California 94043  
                              Attention: Office of the Secretary

By telephone:           (650) 961-6676

You should rely only on the information contained in this proxy statement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should disregard anything included in an earlier document that is inconsistent with what is in, or incorporated by reference into, this proxy statement.

You should assume that the information in this proxy statement is accurate only as of the date indicated on the front cover of this proxy statement. The business, financial condition, results or operations and prospects described in this proxy statement may have changed since that date and may change again.

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**NETLOGIC MICROSYSTEMS, INC.**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To be held on [ ], 2009**

To the Stockholders of NetLogic Microsystems, Inc.:

The special meeting of stockholders of NetLogic Microsystems, Inc., or NetLogic, will be held on [ ], 2009, at [ ] a.m., Pacific time, at the offices of [ ]. The special meeting is being held for the following purposes:

1. To approve the issuance of a maximum of 13,080,000 shares of NetLogic common stock as merger consideration and to new employees in connection with the proposed acquisition by NetLogic of RMI Corporation, or RMI;
2. To vote upon a proposal to adjourn the special meeting of the NetLogic stockholders, including for the purpose of soliciting additional proxies, in the discretion of the proxies or either of them; and
3. To transact any and all other business that may properly come before the special meeting or any adjourned session of the special meeting.

Approval of the first proposal set forth above is required for consummation of the proposed acquisition of RMI and the other transactions contemplated by the Agreement and Plan of Merger Reorganization dated as of May 31, 2009 among NetLogic, RMI and Roadster Merger Corporation, a newly-formed, wholly-owned subsidiary of NetLogic. These matters are described more fully in the attached proxy statement, which includes, as Annex A, the complete text of the merger agreement, and we urge you to read the proxy statement carefully.

**The NetLogic board of directors has approved the merger agreement, the merger and the other transactions contemplated by the merger agreement and recommends that NetLogic stockholders vote to approve the issuance of NetLogic common stock in connection with the merger.**

Only stockholders who owned shares of NetLogic common stock at the close of business on [ ], 2009, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of it.

**Your vote is very important.** To ensure that you are represented at the special meeting, please register your vote as promptly as possible in accordance with the instructions set forth on the enclosed proxy card. A return addressed envelope is enclosed for your convenience. If you attend the special meeting, you may vote in person even though you have returned a proxy card previously. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

Roland B. Cortes

Secretary

Mountain View, California

[ ], 2009

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\* \* \*

Documents Furnished With This Proxy Statement

Annual Report on Form 10-K, filed with the SEC on March 4, 2009

Quarterly Report on Form 10-Q, filed with the SEC on May 5, 2009

Quarterly Report on Form 10-Q, filed with the SEC on August 5, 2009

Current Report on Form 8-K, filed with the SEC on May 6, 2009

Current Report on Form 8-K, filed with the SEC on June 25, 2009

Current Report on Form 8-K, filed with the SEC on July 20, 2009

Description of NetLogic's Common Stock, contained in the Registration Statement on Form S-3 filed with the SEC on May 10, 2006

Description of NetLogic's Series A Junior Participating Preferred Stock Purchase Rights contained in NetLogic's Registration Statement on Form 8-A filed with the SEC on July 8, 2004

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**QUESTIONS AND ANSWERS ABOUT THE  
PROPOSED TRANSACTIONS AND THE SPECIAL MEETING**

*The following are some of the questions you may have as a NetLogic stockholder and answers to those questions. These questions and answers only highlight some of the information contained in this proxy statement. You should read carefully this entire document, including Annex A hereto, to fully understand the proposed transactions and the voting procedures for the special meeting of NetLogic stockholders.*

**Q: Why am I receiving this proxy statement?**

A: NetLogic Microsystems, Inc., or NetLogic, and our wholly owned subsidiary Roadster Merger Corporation, or merger sub, have entered into an Agreement and Plan of Merger and Reorganization, or merger agreement, with RMI Corporation, or RMI, pursuant to which we have agreed to acquire RMI and pay the RMI stockholders a combination of cash and shares of our common stock as consideration in exchange for their RMI stock. The merger agreement also requires us to make available for issuance to RMI employees additional shares of our common stock as retention, transition and future incentive awards. As a result of being listed for trading on the NASDAQ Global Select Market, issuances of our common stock are subject to the NASDAQ Listing Rules. Under Rule 5635(a), we must seek stockholder approval with respect to issuances of our common stock when the shares to be issued are being issued in connection with the acquisition of the stock of another company and are equal to 20% or more of our outstanding common stock before the issuance. NetLogic is holding a special meeting of its stockholders in order to obtain stockholder approval of the issuance of our common stock pursuant to the merger agreement.

**Q: What are the proposals on which I am being asked to vote?**

A: You are being asked to vote on a proposal to approve the issuance of up to a maximum of 9,050,000 shares of our common stock (equal to approximately 40.6% of our outstanding common stock prior to such issuance) as merger consideration and a maximum of 4,030,000 shares under certain circumstances as equity incentive awards to continuing RMI employees in connection with our proposed acquisition of RMI. You also are being asked to vote to adopt a proposal that would permit the proxies appointed by you, individually or together, to adjourn the special meeting of NetLogic stockholders, including for the purpose of soliciting additional proxies.

**Q: How does NetLogic propose to acquire RMI?**

A: Subject to our obtaining the requisite stockholder approval and the satisfaction of certain other closing conditions described in this proxy statement, we have agreed to acquire RMI through the merger of merger sub with and into RMI, following which RMI would be a wholly-owned subsidiary of NetLogic.

**Q: Who is RMI?**

A: RMI is a leading provider of high-performance and low-power multi-core, multi-threaded processors for networking, communications, data center, security, storage, industrial and connected media applications. RMI's headquarters are located in Cupertino, California with branch and subsidiary offices in Texas, India, Hong Kong, Korea, Japan, Taiwan, China, France and Cayman Islands. Formerly known as Raza Microelectronics, Inc., RMI was incorporated in Delaware in December 2001 and changed its name to RMI Corporation in December 2007.

**Q: What will NetLogic pay the RMI stockholders as merger consideration?**

- A: The merger agreement provides for NetLogic to pay cash to the holders of RMI common stock and to issue shares of our common stock to the holders of RMI preferred stock as merger consideration upon conversion of their RMI stock in the merger. A portion of the merger consideration is payable upon completion of the acquisition and another portion is payable, subject to the attainment of revenue milestones applicable to the acquired business, at the end of a twelve-month post-closing earn-out period. The formulas for determining the merger consideration payable to RMI stockholders under the merger agreement are complex. The

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merger agreement provides for the allocation of the calculated value of the merger consideration between the shares of the different classes and series of RMI capital stock. The allocation depends in part on whether the total value of the merger consideration exceeds the aggregate liquidation preference of all shares of RMI capital stock outstanding as of the closing date, determined in a manner consistent with the provisions of RMI's charter, and, in part, on the average closing price of a share of NetLogic common stock as determined under the merger agreement. In general, RMI common stockholders will receive cash in the amount of the calculated value of the merger consideration that is allocable to the RMI common stock, and the RMI preferred stockholders will receive shares of our common stock in the amount of the calculated value of the merger consideration that is allocable to the RMI preferred stock.

**Q: How is the amount of merger consideration to be determined?**

A: The nominal value of the merger consideration to be paid at the closing date as specified in the merger agreement is equal to \$181.35 million plus \$2.0 million as an advance earn-out payment. The total number of shares of our common stock to be issued to the holders of RMI preferred stock at the closing date will be equal to the amount of calculated value that is allocable to the shares of RMI preferred stock divided by the applicable closing price of our common stock. The applicable closing price will generally be the same as the average closing price of our common stock for the 20-trading day period ending on the third trading day prior to the closing date, but it cannot be more than \$34.90 or less than \$26.97, which price range we refer to as the collar. The total amount of cash to be paid to the holders of RMI common stock at the closing date will be equal to the amount of calculated value that is allocable to the shares of RMI common stock under the merger agreement, plus the \$2 million advance earn-out credit referenced above. In calculating the amount of cash payable to the holders of RMI common stock, the collar does not limit the amount of cash they are paid. The size of the cash payment may therefore be greater than or less than the portion of the nominal value allocable to the RMI common stock. The nominal value of the maximum remaining earn-out consideration as specified in the merger agreement is \$68.0 million, which will be allocated, determined and paid in the same manner and kind as the merger consideration payable at the closing date but will be reduced by the advance earn-out credit paid to the holders of RMI common stock at the closing date, and may be reduced further by up to \$1 million for a special bonus payment to the chief executive officer of RMI in the circumstances specified in the merger agreement.

**Q: How will changes in our stock price between now and the closing date affect the amount of cash we pay and the number of shares we issue as merger consideration?**

A: The average closing price of our common stock measured over the 20-trading day period ending August 26, 2009 (as if the closing had occurred on August 31, 2009) was \$40.26. If this had been the average closing price of our common stock for purposes of the merger agreement, the resulting calculated value of the merger consideration payable at closing would be approximately \$211.5 million, consisting of a cash payment of approximately \$9.2 million and the issuance of approximately 5,026,000 shares of our common stock. If our stock price increases prior to the closing so as to cause the average closing price to increase as well, the size of the cash payment will increase and the number of shares we issue will decrease. The size of the cash payment will continue to increase, theoretically without limit, as long as our stock price continues to rise. If our stock price decreases prior to the closing so as to cause the average closing price to decrease as well, the amount of cash and the total value of the merger consideration will decrease and the number of shares we issue will increase. More particularly, inside the collar (i.e., between \$26.97 and \$34.90), changes in the stock price will not alter the total value of the merger consideration or the size of the cash payment, although the number of shares we issue will increase as the stock price falls and decrease as the stock price rises. Outside the collar, the calculated value of the merger consideration will change in proportion to changes to the average closing price, although the amount of cash we pay and number of shares we issue generally will not change in proportion to changes to the average closing price. Moreover, the size of the cash payment will increase, theoretically without limit, as long as our stock price continues to rise. These same trends would apply to any earn-out consideration, except that once the stock price falls below \$22.81, there will no longer be a cash component to the earn-out consideration.

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**Q: What is an example of how much cash and how many shares of our common stock would be delivered to RMI stockholders as merger consideration?**

A: Solely by way of example, using an average closing price of \$32.72, the closing price of our common stock on May 29, 2009, which was the last trading day prior to signing the merger agreement:

the estimated amount of cash to be paid to the holders of RMI common stock on the closing date would be approximately \$8.0 million, and a total of approximately 5,360,000 shares of our common stock would be issued to the holders of RMI preferred stock (without offset for escrow amounts);

if the maximum earn-out was achieved, the additional amount of cash to be paid by us at full achievement of the earn-out would be approximately \$6.5 million, and a total of approximately 1,850,000 additional shares of our common stock would be issued to the holders of RMI preferred stock (calculated without offset for escrow amounts); and

the total merger consideration value would be approximately \$251.35 million.

**Q: What is the maximum number of shares that NetLogic will be required to issue to RMI preferred stockholders as merger consideration?**

A: Based on the formulas set forth in the merger agreement, the maximum aggregate number of shares of common stock that we would be required to issue to the holders of RMI preferred stock as merger consideration is approximately 9,050,000 shares, consisting of approximately 6,500,000 shares on the closing date and approximately 2,550,000 shares at the end of the twelve-month earn-out period. These numbers assume that the applicable closing price will be \$26.97 per share and that all of the earn-out objectives will be attained. However, based on the average closing price per share of our common stock for the 20-trading day period ending July 28, 2009 (as if the closing had occurred on July 31, 2009), the maximum number of shares of common stock to be issued as merger consideration, assuming payment of 100% of the earn-out consideration (and including the CEO special bonus payment), would be approximately 6,740,000.

**Q: How many additional shares of common stock will NetLogic be required to issue to RMI employees as equity incentive awards?**

A: We have agreed in the merger agreement:

to issue fully vested shares of our common stock with a total value of \$8.65 million to specified RMI employees on the closing date;

to grant within 60 days after the closing date restricted stock units, or RSUs, to acquire \$10 million of our common stock to specified employees of RMI who continue as RMI employees or become NetLogic employees, of which 50% will vest after six months and the remaining 50% will vest after 12 months for most employees; and

to grant within 60 days after the closing date RSUs and/or stock options for \$45 million of our common stock to specified employees of RMI who continue as RMI employees or become NetLogic employees, subject to vesting and other terms to be determined by us (with an RSU to acquire one share of our common stock to be equated with an option to purchase two shares).

The number of shares of our common stock to be provided as such retention, transition and future incentive awards will be determined by dividing the total amounts specified above by the applicable closing price of our common stock, as described above. Therefore, the minimum number of additional shares of common stock that we would be required to issue to continuing RMI employees as incentive awards (including

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shares issuable upon exercise of options) is approximately 1,824,000 shares and the maximum number is approximately 4,030,000 shares. These numbers use the range of applicable closing prices of \$26.97 to \$34.90 and assume that the \$45 million of long-term incentive awards will be in the form of options in the calculation of the maximum and RSUs in the calculation of the minimum. By comparison, using the closing

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price of a share of our common stock of \$32.72 on May 29, 2009 as the applicable closing price, and assuming that 50% of the long-term incentive awards are RSUs, we would issue approximately 2,064,000 shares to the RMI employees.

**Q: Will there be any restrictions on the merger consideration applicable after the merger?**

A: One hundred percent of the shares of our common stock issued to holders of RMI preferred stock at the closing date will be subject to a complete trading lock-up for six months following the closing date, and fifty percent of the shares will be subject to a complete trading lock-up for one year following the closing date. The merger agreement further provides that 10.2% of the total number of shares of our common stock to be issued at the closing date will be placed into escrow for a period of one year to provide a fund for indemnity against specified damages we might suffer. If total indemnity claims at the end of the one-year period exceed the value of the shares held in escrow, we will have the right to place up to 10% of the earn-out consideration otherwise issuable to the RMI stockholders into escrow, pending the resolution of all claims. In addition, 0.3% of the total number of shares of our common stock to be issued at the closing date will be placed into escrow as a source for reimbursement of the stockholder representative's expenses.

**Q: Why does NetLogic want to acquire RMI?**

A: We believe the combination with RMI presents valuable synergies in products, technologies, skill sets, operations, customer base and organizational cultures that can be leveraged to enable us to build an enterprise greater than the sum of its parts. RMI's industry-leading multi-core, multi-threaded processors will complement our existing portfolio of advanced knowledge-based processors, content processors, network search engines and 10 to 100 Gigabit Ethernet PHY products. This will allow us to provide a more comprehensive portfolio of differentiated solutions to enhance our customers' ability to support the complexity and speeds of next-generation converged IP networks. In addition, the combination of the two companies' R&D centers will bring together critical skill sets in high-speed circuit design, processor architectures, innovative low-power techniques in advanced manufacturing process nodes, as well as software expertise to continue to deliver best-in-class products and solutions, especially in the advanced 40 nanometer process technology in which both companies are currently designing next-generation products.

**Q: Are there risks associated with the acquisition of RMI?**

A: Yes. The material risks associated with the acquisition that are known to us are discussed in the section entitled "Risk Factors" beginning on page 8. Those risks include, among others, the possibility that we may not be successful in our expansion into the markets currently served by RMI, we may fail to realize the anticipated operational synergies and other expected benefits of the acquisition and we may not be successful in assimilating and retaining RMI's employees and otherwise integrating its business with our own.

**Q: What vote is required to approve the proposals?**

A: The proposal to approve the issuance of our common stock in connection with the acquisition of RMI must be approved by the affirmative vote of a majority of the shares of our common stock present in person and voting on the proposal or represented by proxy and voting on the proposal. The proposal to permit the proxies to adjourn the special meeting, including for the purpose of soliciting additional proxies, must be approved by the affirmative vote of the majority of shares of our common stock present in person or represented by proxy at the meeting and entitled to vote on the record date, regardless of whether a quorum is present.

**Q: What will happen if the proposed stock issuance is not approved by NetLogic's stockholders?**

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- A: If our stockholders fail to approve the issuance of shares of our common stock in connection with the merger upon a vote at our special meeting, each of RMI and NetLogic will have the right to terminate the merger agreement.



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**Q: Will there be any change to the board of directors or the executive officers of NetLogic after the merger?**

A: No. Our directors and executive officers immediately following the closing of the merger are expected to be same as our directors and executive officers immediately prior to the closing of the merger.

**Q: What will happen to my common stock upon completion of the acquisition?**

A: Each share of our common stock will be unaffected by the acquisition and will remain outstanding. Holders of our common stock will continue to hold the shares that they currently hold. However, because we will be issuing shares of our common stock at closing to the holders of RMI preferred stock as part of the merger consideration (and additional shares of common stock as incentives to continuing RMI employees), and equity incentive awards upon the consummation of the acquisition each share of existing our common stock will represent a smaller ownership percentage of a larger company.

**Q: Will I have appraisal or dissenters rights with respect to the acquisition?**

A: NetLogic stockholders will not have appraisal or dissenters rights with respect to the acquisition of RMI.

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

A: The merger agreement and the merger have been approved by the board of directors of each company. Holders of approximately 92.5% of the outstanding shares of RMI preferred stock and holders of approximately 53.5% of the outstanding shares of RMI common stock had signed written consents approving the merger agreement, the merger and certain related matters, which satisfies the condition for approval of the merger and merger agreement by the RMI stockholders. The closing of the transaction remains subject to closing conditions, including the approval by our stockholders of the issuance of the shares of common stock to be delivered by us in the transaction (which is the subject of this proxy statement), as well as required regulatory filings and reviews. The Hart-Scott-Rodino notification period for the merger expired without regulatory action on August 13, 2009. We expect the transaction to close in October 2009.

**Q: Does NetLogic's board of directors recommend voting in favor of the proposal?**

A: Yes. After careful consideration, our board of directors unanimously determined that the proposed issuance of common stock in the acquisition under the terms of the merger agreement is in the best interests of NetLogic and our stockholders. As a result, our board of directors unanimously recommends that you vote FOR the proposal.

**Q: Who is entitled to vote at the special meeting?**

A: Stockholders of record as of the close of business on [ ], 2009, the record date, are entitled to vote on each of the proposals at the special meeting. Each stockholder is entitled to one vote per each share of our common stock held by such stockholder on the record date with respect to each proposal.

**Q: How do I vote?**

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- A. You may sign and date each paper proxy card you receive and return it in the prepaid envelope. If you return your signed proxy but do not indicate your voting preferences, we will vote on your behalf **FOR** the proposals specified in this proxy statement. You may also follow the instructions on the proxy card to submit voting instructions for your shares by telephone or via the Internet. Please note that there are separate telephone and Internet voting arrangements depending upon whether shares are registered in your name or in the name of a bank or broker.

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

- A: Your broker will vote your NetLogic shares with respect to the proposals set forth in the accompanying notice to stockholders only if you provide instructions on how to vote by completing and returning a proxy card or instruction form provided to you by your broker.

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**Q: How may I revoke or change my vote?**

A: You have the right to revoke your proxy any time before the meeting by notifying our corporate secretary of your revocation or returning a later-dated proxy. The last vote received chronologically will supersede any prior vote. You may also revoke your proxy by voting in person at the special meeting. Attendance at the meeting, without voting at the meeting, will not in and of itself serve as a revocation of your proxy.

**Q: What happens if I abstain from voting?**

A: If an executed proxy card is returned and the stockholder has explicitly abstained from voting on any proposal, the shares represented by the proxy will be considered present at the special meeting for the purpose of determining a quorum. In addition, while they will not count as votes cast in favor of the proposal, they will count as votes cast on the proposal to approve the stock issuance in connection with the acquisition of RMI. As a result, an abstention on the proposal will have the same effect as a vote AGAINST the proposal.

**Q: Where can I find additional information about the special meeting and the proposed acquisition of RMI?**

A: This proxy statement includes important information about the merger and the other transactions contemplated by the merger agreement and the special meeting of the stockholders of NetLogic. A copy of the merger agreement is attached as Annex A to this proxy statement. Our stockholders should read this information carefully and in its entirety.

**Q: What should I do now?**

A: After carefully reading and considering the information contained in this proxy statement, including the Annex A, please fill out and sign the proxy card, and then mail your completed and signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares of our common stock may be voted at the special meeting. Alternatively, you may follow the instructions on the proxy card and submit instructions on voting your shares of our common stock by telephone or over the Internet. Your proxy card or your telephone or Internet directions will instruct the persons identified as your proxy to vote your shares at the NetLogic stockholders meeting as directed by you. If you hold your shares of our common stock through a broker or other nominee, you should follow the instructions provided by your broker or other nominee when instructing them on how to vote your shares of our common stock.

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**SUMMARY OF MATERIAL TERMS OF THE PROPOSED TRANSACTIONS**

*This summary highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. You should read carefully this entire document, including Annex A, for a more complete understanding of the proposed transactions and voting procedures for the special meeting of the NetLogic stockholders.*

**The Companies**

*NetLogic Microsystems, Inc.*

NetLogic Microsystems, Inc.

1875 Charleston Road

Mountain View, California 94043

Telephone: (650) 961-6676

NetLogic Microsystems, Inc., or NetLogic, is a semiconductor company that designs, develops and sells proprietary high-performance processors and high-speed integrated circuits that are used by original equipment manufacturers in routers, switches, wireless infrastructure equipment, network security appliances, datacenter servers, network access equipment and network storage devices to accelerate the delivery of voice, video, data and multimedia content for advanced enterprise, datacenter, communications and mobile wireless networks. Our knowledge-based processors, physical layer products, and network search engine products are incorporated in systems used throughout multiple types of networks that comprise the global Internet infrastructure, including the enterprise, metro, access, edge and core networking markets, and are designed into systems offered by leading networking original equipment manufacturers, or OEMs, such as AlaxalA Networks Corporation, Alcatel-Lucent, ARRIS Group, Inc., Brocade Communication Systems, Inc., Cisco Systems, Inc., Huawei Technologies Co., Ltd., Juniper Networks, Inc., McAfee, Inc. and ZTE Corporation.

*Roadster Merger Corporation*

Roadster Merger Corporation

1875 Charleston Road

Mountain View, California 94043

Telephone: (650) 961-6676

Roadster Merger Corporation, or merger sub, is a Delaware corporation and wholly-owned subsidiary of NetLogic. Merger sub was formed for the sole purpose of effecting the proposed merger.

*RMI Corporation*

RMI Corporation

18920 Forge Drive

Cupertino, California 95014

Telephone: (408) 434-5700

RMI Corporation, or RMI, is a fabless semiconductor company that provides high performance multi-core, multi-threaded processor solutions for networking, communications, data center, security and storage applications, as well as ultra low-power processors for high-volume enterprise, industrial and connected media applications. RMI's proprietary architecture and innovative processor designs deliver high throughput,

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increased processing capacity and advanced functionality while minimizing power consumption. RMI s products are designed into high-performance 3G/4G mobile wireless infrastructure, security appliances, storage appliances,

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service gateways, switches and routers, enterprise networked devices and connected media devices by leading OEMs such as Aruba Networks, Inc., Cisco Systems, Inc., Dell, Digital Cube, H3C Technologies, Hewlett-Packard Company, Huawei Technologies Co., Ltd., Huawei-Symantec Technologies, Juniper Networks, Inc., McAfee, Inc., Samsung and Thinkware, Inc. RMI was incorporated in Delaware in December 2001.

### **The Merger**

#### *Merger Agreement (Page 34)*

On May 31, 2009, NetLogic and merger sub entered into an agreement and plan of merger reorganization with RMI. We have agreed, subject to the terms and conditions of the merger agreement, to acquire RMI and to pay the RMI stockholders a combination of cash and shares of our common stock as consideration.

#### *Structure of Acquisition (Page 34)*

We will acquire RMI through the merger of merger sub with and into RMI, with RMI surviving as our wholly-owned subsidiary.

#### *Merger Consideration (Page 34)*

The merger agreement provides for us to pay the RMI stockholders merger consideration consisting of the issuance of shares of our common stock to the holders of RMI preferred stock, the payment of cash to the holders of RMI common stock and the escrow of a portion of the shares of our common stock issued to the RMI preferred stockholders as a source of indemnity for future claims and a source of payment for the expenses of the RMI stockholders' representative. A portion of the merger consideration is payable upon completion of the acquisition and another portion is payable, subject to the attainment of revenue milestones applicable to the acquired business, at the end of a twelve-month post-closing earn-out period. We are issuing shares of our common stock to the RMI preferred stockholders and cash to the RMI common stockholders as a result of the parties' agreement to seek the written consent of certain RMI stockholders to the merger shortly after execution of the merger agreement. As a consequence of using a written consent in lieu of voting agreements, we would be unable to register our common shares to be issued in the merger under the federal securities laws. We will issue shares of our common stock to the RMI preferred stockholders pursuant to a private placement exemption from registration under the Securities Act of 1933, and will pay cash to the RMI common stockholders, for whom a private placement exemption would not be available, in an amount approximately equal to the value of the common shares they otherwise would have received in the merger.

#### *Consideration Payable At Closing (Page 35)*

The nominal value of the merger consideration specified by the merger agreement to be paid on the closing date is equal to \$181.35 million. The merger agreement specifies formulas for calculating the actual value of the merger consideration and determining the allocation of the calculated value of the merger consideration between the shares of the different series of RMI preferred stock and the shares of RMI common stock. The calculated value of the merger consideration will be equal to its nominal value if the average closing price of our common stock, measured over the 20-trading day period that ends on the third trading day prior to the closing date, is between \$26.97 and \$34.90. We refer to this range of prices as the collar. To the extent that the average closing price is greater than \$34.90 or less than \$26.97, the calculated value of the merger consideration will be greater than or less than the nominal value by the same proportion as the average closing price is greater than or less than the corresponding collar price. As a practical matter, the effect of the collar is to cap the maximum number and minimum number of shares we will be required to issue to the RMI preferred stockholders if the average closing price is below or above the range of the collar, subject to relatively small incremental changes outside the collar. Above the collar, for example, assuming average closing prices of \$40.00, \$45.00 and \$50.00, we would issue approximately

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6,662,000, 6,560,000 and 6,480,000 shares, respectively. Below the collar, assuming average closing prices of \$25.00, \$20.00 and \$15.00, we would issue approximately 2,390,000, 2,540,000 and 2,540,000 shares, respectively. The size of the cash payment we make to the RMI common stockholders will not be capped by the collar because the amount of cash we pay is equal to the calculated value of consideration allocated to the common stock.

i *Earn-out Consideration (Page 35)*

The maximum nominal value of the earn-out portion of the merger consideration is \$70 million, which will be allocated, determined and paid in the same manner and kind as the merger consideration payable at the closing date but the portion payable to the former holders of RMI common stock will be reduced by the \$2 million advance earn-out credit paid to them on the closing date, and the total earn-out payment may be reduced further by up to \$1 million for a special bonus payment to the chief executive officer of RMI if the acquired RMI business achieves post-closing revenue targets. Mr. Abdi will only receive this special incentive consideration if the amount of revenue recognized by RMI during the 12-month earn-out measurement period is greater than 75% of the revenue target for the earn-out. Earn-out consideration, if any, will be paid within 90 days after the end of the 12-month earn-out measurement period.

*Escrow (Page 37)*

The merger agreement provides that 10.2% of the total number of shares of our common stock to be issued at the closing date will be placed into escrow for a period of one year to provide a fund for indemnity against specified damages to us, as described in the merger agreement. If total indemnity claims at the end of the one-year period exceed the value of the shares in held in escrow, we will have the right to place up to 10% of the total number of shares of our common stock otherwise issuable to the holders of RMI preferred stock as earn-out consideration into escrow, pending the resolution of all claims. In addition, 0.3% of the total number of shares of our common stock to be issued at the closing date will be placed into escrow as a source for reimbursement of the RMI stockholder representative's expenses.

*Resale Restrictions on NetLogic Common Stock (Page 33)*

One hundred percent of the shares of our common stock issued as merger consideration at the closing date will be subject to a complete trading lock-up for six months following the closing date, and 50% of the shares will be subject to a complete trading lock-up for one year following the closing date.

*Equity Incentive Awards to RMI Employees (Page 32)*

In addition to the payment of merger consideration to RMI stockholders, we have agreed in the merger agreement:

to issue fully vested shares of our common stock with a total value of \$8.65 million to specified RMI employees on the closing date;

to grant within 60 days after the closing date restricted stock units, or RSUs, to acquire \$10 million of our common stock to specified employees of RMI who continue as RMI employees or become NetLogic employees, of which 50% will vest after six months and the remaining 50% will vest after 12 months for most employees; and

to grant within 60 days after the closing date RSUs and/or stock options for \$45 million of our common stock to specified employees of RMI who continue as RMI employees or become NetLogic employees, subject to vesting and other terms to be determined by us (with an RSU to acquire one share of our common stock to be equated with an option to purchase two shares).





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To determine the number of shares to be issued in each of these three phases, the dollar amount specified is divided by the applicable closing price of our common stock. This share calculation is, therefore, subject to the effect of the price collar in a similar manner as the merger consideration.

*No Assumption of RMI Options or Warrants (Page 38)*

We will not be assuming any outstanding stock options or warrants to purchase capital stock of RMI in the merger.

*Stockholder Approval and Other Conditions to Closing (Page 43)*

The merger agreement and the merger have been approved by the board of directors of each company. Holders of approximately 92.5% of the outstanding shares of RMI preferred stock and holders of approximately 53.5% of the outstanding shares of RMI common stock had signed written consents approving the merger agreement, the merger and certain related matters, which satisfies the condition for approval of the merger and merger agreement by the RMI stockholders. The closing of the transaction remains subject to closing conditions, including the approval by our stockholders of the issuance of the shares of common stock to be issued by us in connection with the transaction (which is the subject of this proxy statement); the acceptance of offers of employment with NetLogic or the surviving corporation by a certain number of key employees identified by us and by 75% of all other employees; and the exercise of appraisal rights by holders of no more than 5% of RMI's preferred stock and holders of no more than 30% of RMI's