

NETLOGIC MICROSYSTEMS INC  
Form PRER14A  
September 29, 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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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:

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

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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

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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 basic requirements for approval of the merger and merger agreement by the RMI stockholders under the Delaware General Corporation Law, the RMI certificate of incorporation and the merger agreement. An additional merger agreement closing condition requires that holders of no more than 5% of the outstanding shares of preferred stock and 30% of the outstanding shares of common stock of RMI exercise appraisal rights, and RMI intends to continue soliciting written consents from its stockholders in order to satisfy this additional condition and minimize the number of shares that may exercise appraisal rights. Other closing conditions include 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?**

- 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.

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**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.

**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, as merger consideration (including the earn-out portion, assuming attainment of all objectives). Below the collar, assuming average closing prices of \$25.00, \$20.00 and \$15.00, we would issue approximately 8,890,000, 9,050,000 and 9,050,000 shares, respectively, as merger consideration (including the earn-out portion, assuming attainment of all objectives). 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 common stock.

### *Indemnification (Page 45)*

The merger agreement provides for us and our related parties to have full recourse against the escrow funds for losses or damages arising out of inaccuracies in RMI's representations, RMI's breach of its pre-closing covenants and certain other matters, once the aggregate amount of damages exceeds a specified threshold amount. We also have a right, to the extent the aggregate amount of claims we make against the escrow consideration during the escrow period exceeds the total amount of available escrow funds, to withhold and place into escrow a portion of the earn-out consideration otherwise payable to the former RMI stockholders at the end of the 12-month earn-out period, up to a maximum of 10% of the earned amount, but only for damages relating to misrepresentations and breaches of covenants by RMI.

### *Termination (Page 44)*

The merger agreement may be terminated at any time prior to closing by either party through mutual consent, or, generally, if all remaining closing conditions have not been satisfied and the closing has not occurred by October 31, 2009. The merger agreement also may be terminated by either party in the event of certain material breaches or misrepresentations by the other party that are not timely cured, as long as the party desiring to terminate the agreement is not itself in breach or default under the merger agreement.

### *Dilution of Our Common Stock (Page 9)*

As of July 31, 2009, there were approximately 22,300,000 shares of our common stock issued and outstanding. Based on the formulas set forth in the merger agreement, the maximum number of shares of common stock that we would be required to issue as merger consideration (including the earn-out portion, assuming attainment of all objectives) is approximately 9,050,000 shares. 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. Under the terms of the merger agreement, the total number of shares that we might issue could range from approximately 7,650,000 (if the average closing price is \$34.90 per share, no earn-out consideration is paid and we grant continuing employees a mix of options and RSUs), to 13,080,000 shares (if the average closing price is \$26.97 or less per share and 100% of the earn-out consideration is paid). The issuance of these new shares would represent an increase in the number of shares of our common stock

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outstanding prior to the merger of approximately 34.3% at minimum and approximately 58.7% at maximum. The issuance by us of these shares would therefore result in substantial percentage dilution of the existing stockholders' ownership interests in NetLogic, and the tangible net book value per share of our common stock will be materially lower after the completion of the acquisition. As of June 30, 2009, our tangible net book value per share of common stock was approximately \$4.54. The number of shares of common stock we issue and amount of cash we pay as merger consideration depend, in part, on the average closing price of our common stock over a 20-trading day period leading up to the closing date, as described below under "The Merger Agreement - Merger Consideration." By way of illustration, using \$20.00, \$30.00 and \$40.00 as sample values for the average closing price of our common stock, the combined company's pro forma tangible net book value per share of common stock would be \$3.70, \$3.77 and \$3.98, respectively, as of June 30, 2009 based upon the pro forma effect of the acquisition of RMI as of such date for each such sample value. The issuance of these shares by us may also have an adverse impact on the combined company's net income per share in fiscal periods that include (or follow) the date of the acquisition, as we anticipate that the transaction will be dilutive on the basis of net earnings per common share for the foreseeable future following the acquisition.

### *Bridge Loan to RMI (Page 103)*

On June 1, 2009, pursuant to the merger agreement, we loaned \$15.0 million to RMI, which delivered to us a secured promissory note due November 30, 2010 and bearing interest at a 10% annual rate. The note is secured by substantially all of RMI's assets, but repayment of the note and our security interest have been subordinated to the loans and security interests of RMI's pre-existing institutional lenders. Based on information provided to us by RMI, the total principal amount of such senior loans at May 31, 2009 was approximately \$5.1 million. Repayment of the note will be accelerated upon an event of default, as that term is defined in the note, which includes a termination of the merger agreement by us as a result of certain breaches by RMI and a change of control of RMI. A change of control of RMI includes a sale of all or substantially all of RMI's assets and an acquisition of capital stock representing at least 50% of the voting power of RMI (other than in connection with our acquisition of RMI under the merger agreement). Upon such a change of control, RMI is obligated to pay us \$5.0 million from the proceeds of the change of control in addition to all unpaid principal and accrued interest then due under the note.

### *Interests of Certain Persons in the Merger (Page 30)*

Certain directors, executive officers and significant RMI stockholders may have interests in the consummation of the merger in addition to those of other RMI stockholders. In particular, the merger agreement provides for accelerated vesting of RMI options and restricted stock, including those held by officers, and several officers of RMI may be entitled to severance payments under certain conditions following consummation of the merger.

### *No Appraisal Rights (Page 33)*

No stockholder of NetLogic will be entitled to exercise appraisal rights or to demand payment for their shares in connection with the merger.

### *Recommendation of Our Board of Directors (Page 29)*

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 fair to, and in the best interests of, NetLogic and its stockholders. As a result, our board of directors unanimously recommends that you vote **FOR** the proposal.

**Table of Contents****SUMMARY UNAUDITED HISTORICAL AND PRO FORMA FINANCIAL DATA**

The following summary consolidated historical financial data of RMI and summary pro forma condensed combined financial data of NetLogic are being provided to help you in your analysis of the financial aspects of the merger. You should read this information in conjunction with the financial information included elsewhere and incorporated by reference in this proxy statement. See [Where You Can Find More Information; Incorporation by Reference, Selected Historical and Pro Forma Financial Data](#) and [RMI's Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

**Summary Historical Consolidated Financial Information on RMI**

The following table sets forth certain of RMI's consolidated financial data as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007 and 2006, which is derived from RMI's audited consolidated financial statements included elsewhere in this proxy statement. The consolidated financial information as of June 30, 2009 and for the six month periods ended June 30, 2009 and 2008 is derived from RMI's unaudited consolidated financial statements, which are included elsewhere in this proxy statement and which, in RMI's opinion, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of RMI's financial position and results of operations for such period. Interim results for the six months ended June 30, 2009 are not necessarily indicative of results for the remainder of the fiscal year or for any future period.

The summary historical financial data below should be read in conjunction with the consolidated financial statements and related notes and [RMI Management's Discussion and Analysis of Financial Condition and Results of Operations](#) contained elsewhere herein.

	Year Ended December 31,			Six Months Ended	
	2008	2007	2006	June 30, 2009	June 30, 2008
(in thousands)					
<b>Consolidated Statements of Operations Data:</b>					
Revenue	\$ 78,946	\$ 64,345	\$ 30,053	\$ 35,314	\$ 41,217
Net loss before extraordinary item	(19,272)	(23,765)	(34,265)	(10,683)	(8,265)
Net loss	(19,272)	(20,580)	(34,265)	(10,683)	(8,265)

	December 31,	June 30,	
	2008	2007	2009
(in thousands)			
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 14,188	\$ 14,785	\$ 20,159
Working capital	13,731	11,685	20,092
Total assets	46,469	42,817	52,938
Line of credit, notes payable and intellectual property license obligation	6,825	10,857	19,552
Shareholders' equity	27,592	19,097	19,079

**Table of Contents****Summary Unaudited Pro Forma Condensed Combined Financial Data of NetLogic**

The unaudited pro forma condensed combined statements of operations of NetLogic for the year ended December 31, 2008 and the six months ended June 30, 2009 give pro forma effect to the merger of NetLogic and RMI as if it had occurred on January 1, 2008. The pro forma statements of operations are based on the historical results of operations of NetLogic and RMI for the respective periods. The unaudited pro forma combined condensed balance sheet as of June 30, 2009 gives pro forma effect to the merger as if it had occurred on that date. The adjustments presented in the unaudited pro forma condensed combined financial information have been identified and presented in *Unaudited Pro Forma Condensed Combined Financial Statements* to provide relevant information necessary for an understanding of the combined company upon consummation of the merger.

We completed our acquisition of net assets associated with the network search engine business of Integrated Device Technology, Inc. on July 17, 2009. Our historical results prior to that date do not include the effects of this acquisition. The audited statement of net assets acquired and statement of revenues and expenses for the year ended March 29, 2009, and unaudited pro forma financial information related to the closing of this acquisition have been included in our Form 8-K filing on July 20, 2009, which is incorporated by reference into this proxy statement.

This summary of pro forma data is being provided for illustrative purposes only. NetLogic and RMI may have performed differently had the merger occurred prior to the period presented. In addition, since the unaudited pro-forma condensed combined financial statements have been prepared based on preliminary estimates of purchase consideration and fair values of assets acquired and liabilities assumed, the actual amounts recorded may differ materially from the information presented. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had NetLogic and RMI been combined during the period presented or of the future results of NetLogic following the merger.

	<b>Pro Forma Combined June 30, 2009 (in thousands)</b>
<b>Balance Sheet Data:</b>	
Cash and cash equivalents	\$ 93,889
Working capital	91,436
Total assets	482,188
Line of credit, notes payable, software licenses and other obligations	8,609
Stockholders' equity	408,039

	<b>Pro Forma Combined</b>	
	<b>Year Ended December 31, 2008</b>	<b>Six Months Ended June 30, 2009</b>
	<b>(in thousands, except per share data)</b>	
<b>Statements of Operations Data:</b>		
Revenue	\$ 218,873	\$ 98,165
Net loss	\$ (29,612)	\$ (23,208)
Net loss per share - basic and diluted	\$ (1.12)	\$ (0.86)
Shares used in calculation - basic and diluted	(26,498)	26,909

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**RISK FACTORS**

*You should carefully consider each of the following risks and all of the other information contained in this document, including Annex A hereto. Some of the risks described below relate principally to the business and the industry in which our business, including the acquired RMI business, will operate after the merger, while others relate principally to the merger and the proposed issuance of our common stock. We have also disclosed a number of material risks facing NetLogic under Item 1A of our annual report on Form 10-K for the year ended December 31, 2008, which we filed with the Securities and Exchange Commission on March 4, 2009, and in our subsequently filed quarterly reports on Form 10-Q, which are incorporated herein by reference.*

*The risks described below are not the only risks that we will face following the merger. Additional risks and uncertainties not currently known to us may also materially and adversely affect our business operations and financial condition or the price of our common stock following completion of the merger.*

**Risks Relating to the Merger**

***Cash expenditures and capital commitments associated with our proposed acquisition of RMI and other recent acquisitions may create significant liquidity and cash flow risks for us, and we may incur substantial debt in order to satisfy our obligations.***

Our principal sources of liquidity are our cash and cash equivalents and our credit facility of \$55 million with a group of banks executed in June 2009. As of June 30, 2009, our adjusted cash and cash equivalent balance totaled \$25.3 million, after accounting for the \$100 million purchase consideration paid on July 17, 2009 for assets related to the network search engine business of Integrated Device Technology, Inc. and the \$37 million borrowings under the credit facility to partially finance the acquisition. The cash expenditures required in connection with the RMI acquisition are substantial. The merger agreement requires us to pay cash to holders of RMI common stock as part of the merger consideration payable at closing and, if applicable, the earn-out portion of the merger consideration, which amounts will increase as the average closing price of our common stock increases and could be substantial under some circumstances. We have also loaned approximately \$15.0 million to RMI as a short-term bridge loan to allow RMI to meet its working capital needs and fund its operations in the ordinary course of business. In addition, we have also incurred and may continue to incur significant transaction expenses in connection with the IDT asset purchase, the RMI acquisition and other transactions.

Under the senior secured credit facility, we are required to satisfy certain financial ratio and other covenants such as:

a covenant requiring us to maintain the ratio of our total consolidated debt to our consolidated EBITDA within specified limits, specifically (for the four trailing quarters ended on the applicable date) 2.25:1 (through March 31, 2010), 2.00:1 (from June 30, 2010 through September 30, 2010) and 1.75:1 (thereafter);

a minimum fixed charge covenant requiring the ratio of our consolidated EBITDA less our capital expenditures to our consolidated interest expense and other fixed charges to be no less than 1.25:1 at quarter end;

a minimum consolidated quick ratio covenant requiring our consolidated cash and cash equivalents plus accounts receivable to our consolidated current liabilities to be no less than 1:1 at quarter end (beginning with the quarter ending December 31, 2009); and

a covenant requiring us and our subsidiaries to maintain at all times at least \$20 million of unencumbered cash and cash equivalents. Violation of those covenants would place us in default, so we must manage our financial condition carefully. Although in recent years we have generated sufficient net cash from our operations to meet our capital requirements, we will be substantially larger with greater operating cash needs as a result of the RMI acquisition. If actual results fail to meet our expectations regarding the revenues and expenses of these acquired businesses,

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our historical cash flows may not be sufficient to meet our capital requirements. If additional funding is required for operations, to cure loan defaults or for other purposes, we may attempt to seek funds from time to time through public or private equity or debt financing, although additional funds may not be available on terms acceptable to us or at all. We may also decide to raise additional capital at such times and upon such terms as management considers favorable and in our interests, and we have a \$150 million shelf registration statement which we could use for this purpose. Under the terms of the merger agreement, however, we have agreed to limit the total amount of capital raised through equity financings prior to the closing of the merger to \$50.0 million. Any such additional capital-raising transactions would be likely to further dilute the interests of our stockholders, as described below.

***We will issue a large number of shares of common stock in connection with the merger, which will result in substantial dilution to our existing stockholders.***

In connection with the acquisition of RMI, we have agreed to issue shares of our common stock as merger consideration to RMI stockholders and as incentive stock awards to RMI employees. We may issue up to 6,500,000 shares as merger consideration at closing and, if the maximum earn-out is achieved, up to 2,550,000 additional shares at the end of the twelve-month earn-out period, for a maximum of 9,050,000 shares, although we believe the actual number of shares that we issue will be lower than this. We may issue up to 690,000 shares of common stock in the form of restricted stock and restricted stock units to RMI employees at or shortly following the closing, and an additional 3,340,000 shares pursuant to employee stock options granted to RMI employees after the closing, for a maximum of 4,030,000 shares, although we believe the actual number of shares that we issue will be lower than this. The issuance of a total of 13,080,000 shares (as merger consideration and equity incentive awards) in connection with the merger would represent a roughly 58.7% increase in the number of shares of our common stock outstanding prior to the merger, which would be the maximum dilutive effect of the transactions. In all events, our issuance of shares of common stock in connection with the acquisition of RMI will result in substantial percentage dilution of our existing stockholders' ownership interests, and because a substantial portion of the purchase price will be classified as goodwill and other intangible assets, the tangible net book value per share of our common stock will be materially lower after the completion of the acquisition. For example, as of June 30, 2009, our tangible net book value per share of common stock was approximately \$4.54. Using \$20.00, \$30.00 and \$40.00 as sample values for the average closing price of our common stock under the merger agreement, the combined company's pro forma tangible net book value per share of common stock would be \$3.70, \$3.77 and \$3.98, respectively, as of June 30, 2009 based upon the pro forma effect of the acquisition of RMI as of June 30, 2009 for each such sample value. Thus, in each case, the result is a significant decline in our pro forma tangible net book value per share. Our issuance of these shares also may have an adverse impact on our net income per share in fiscal periods that include (or follow) the date of the acquisition, as we anticipate that the transaction will be dilutive on the basis of net earnings per common share for the foreseeable future following the acquisition.

***The actual value of the merger consideration we will pay to RMI stockholders may exceed the nominal value allocated to it by the formulas in the merger agreement.***

Under the merger agreement, the number of shares of common stock we will issue as merger consideration at closing is calculated based on a fixed nominal dollar amount of merger consideration and a variable price per share of our common stock, which we refer to as the applicable closing price. The applicable closing price is generally equal to the average of the closing prices of our common stock for each day during a 20-trading day period that ends on the third trading day prior to the closing date, but the applicable closing price cannot be less than \$26.97 or greater than \$34.90. Because the average closing price is calculated over a 20-trading day period, the market price of our stock at the end of that period could be significantly higher or lower than the average, particularly if the market price experiences a sharp decline or increase towards the end of the period. Moreover, in the event that the average closing price falls outside the collar, the market price of our common stock at closing may be significantly higher or lower than the applicable closing price, even if the market price of our stock at closing is roughly equal to the average closing price. The amount of cash to be paid is determined with reference to the calculated average closing price without regard to the price collar and therefore is not subject to these stipulated limitations on value. To the extent that the average closing price or (in the case of the stock

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portion of the consideration) the market price of our common stock on the closing date exceeds the applicable closing price, the market value of the stock portion and the total amount of the cash portion of the merger consideration paid at closing will exceed the nominal value allocated to each such portion by the formulas in the merger agreement, which may cause the total value of the merger consideration paid by us at closing to exceed the nominal value of \$181.35 million specified in the merger agreement.

Similarly, the number of shares that we will issue in the earn-out (to the extent the revenue milestones are achieved) is determined in reference to the applicable closing price. The market price of our common stock may have changed significantly over the 12- to 15-month period between the closing date and the date the earn-out is paid. If the market price of our common stock increases substantially during this period, the market value of the stock portion of the earn-out consideration may be significantly greater than the amount allocated to it by the formulas in the merger agreement. As a result, the total value of the earn-out consideration paid by us may exceed the nominal value of \$70.0 million specified in the merger agreement (including the \$2.0 million of advance earn-out credit paid to the holders of RMI common stock at closing).

***The calculation of the merger consideration will not be adjusted in the event the value of the business or assets of RMI declines before the merger is completed.***

The calculation of the number of shares of our common stock and the amount of cash we will pay as merger consideration will not be adjusted in the event that the value of RMI's business declines prior to the consummation of the acquisition. We will not be required to consummate the merger if RMI experiences a company material adverse effect (as this term is described below in *The Merger Agreement Conditions to Consummation of the Merger*). However, we will not be permitted to terminate the merger agreement because of any changes in the value of the RMI business that do not rise to the level of a company material adverse effect or otherwise cause RMI to fail to satisfy a condition to closing. In the event of such a company material adverse effect, however, we may be required under federal securities laws to amend the proxy statement to disclose additional material information and re-solicit the vote of our stockholders.

***If the conditions to the closing of the acquisition are not met, the acquisition will not occur, which could adversely impact the market price of our common stock as well as our business, financial condition and results of operations.***

Specified conditions must be satisfied or waived before the acquisition can be completed, including, without limitation, obtaining the requisite approval of our stockholders with respect to our proposed issuance of common stock in the acquisition. These conditions are summarized in the section in this proxy statement entitled *The Merger Agreement Conditions to the Consummation of the Merger* and are described in detail in the merger agreement attached to and included in this proxy statement as Annex A. We cannot assure you that each of the conditions will be satisfied.

If the conditions are not satisfied or waived in a timely manner and the acquisition is delayed, we may lose some or all of the intended or perceived benefits of the transaction which could cause our stock price to decline and harm our business. If the acquisition is not completed for any reason, our stock price may decline to the extent that the current market price reflects a market assumption that the acquisition will be completed.

In addition, we will be required to pay our costs related to the acquisition even if the acquisition is not completed, such as amounts payable to legal advisors and independent accountants, and such costs could be significant. All of these costs will be incurred whether or not the transaction is completed.

***As shares of our common stock issued in the acquisition become eligible for resale, the sale of those shares could adversely impact our stock price.***

All of the shares of our common stock issued as merger consideration on the closing date will be subject to a complete trading lock-up for six months following the closing date, and 50% of such shares will be subject to a complete trading lock-up for one year following the closing date. In addition, 50% of the restricted stock units that

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we will issue to certain RMI employees will vest six months following the closing date and the remaining 50% will vest one year following the closing date. These equity incentive shares will be registered and will therefore generally not be subject to resale restrictions under federal securities laws. Accordingly, a substantial number of shares of our common stock will become eligible for resale six and 12 months after the closing date. Our stock price may suffer a significant decline as a result of the sudden increase in the number of shares sold in the public market or market perception that the increased number of shares available for sale will exceed the demand for our common stock.

### ***The integration of NetLogic and RMI may not be completed successfully, cost-effectively or on a timely basis.***

After completing the acquisition of RMI, we will have significantly more assets and employees to manage than we did prior to the acquisition. The integration process will require us to significantly expand the scope of our operations and financial systems. Our management will be required to devote a significant amount of time and attention to the process of integrating the operations of NetLogic and RMI. There is a significant degree of difficulty and management involvement inherent in that process. These difficulties include, among others:

the diversion of management's attention from the day-to-day operations of the combined company;

the management of a significantly larger company than before completion of the acquisition;

the assimilation of RMI employees and the integration of two business cultures;

challenges in attracting and retaining key personnel;

the integration of information, accounting, finance, sales, billing, payroll and regulatory compliance systems;

challenges in keeping existing customers and obtaining new customers; and

challenges in combining product offerings and sales and marketing activities.

There is no assurance that we will successfully or cost-effectively integrate RMI's operations with our own. For example, the costs of achieving systems integration may substantially exceed our current estimates. As a non-public company, RMI has not had to comply with the requirements of the Sarbanes-Oxley Act of 2002 for internal control and other procedures. Bringing its systems into compliance with those requirements may cause us to incur substantial additional expense. In addition, the integration process may cause an interruption of, or loss of momentum in, the activities of our business after completion of the acquisition. If our management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer and its results of operations and financial condition may be harmed.

### **Other Risk Relating to NetLogic and the Combined Company**

#### ***Both companies have a history of net losses, and the combined company may not be profitable after the completion of the transaction.***

We reported net income of \$3.6 million, \$2.6 million and \$0.6 million during the years ended December 31, 2008, 2007 and 2006, and net losses in years prior to fiscal 2005. At December 31, 2008, we had an accumulated deficit of approximately \$76.0 million. RMI reported net losses of \$19.3 million, \$20.6 million and \$34.3 million during the years ended December 31, 2008, 2007 and 2006, and net losses in years prior to fiscal 2005. At December 31, 2008, RMI had an accumulated deficit of approximately \$178.0 million. To sustain profitability, we will have to continue to generate greater total revenue and control costs and expenses following the acquisition of RMI. We may not be able to generate greater total revenue, or limit our costs and expenses, sufficiently to sustain profitability on a quarterly or annual basis. There can be no assurances that we will continue to be profitable following the acquisition of RMI.





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***In order to be successful, we must retain and motivate key employees, which will be more difficult in light of uncertainty regarding the acquisition, and failure to do so could prevent us from realizing the expected benefits of the acquisition of RMI.***

In order to be successful, the combined company must retain and motivate executives and other key employees. The market for highly skilled employees is limited, and the loss of key employees could have a significant impact on our operations. Employee retention may be a particularly challenging issue in connection with the merger. Employees of NetLogic or RMI may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. This circumstance may adversely affect our ability to attract and retain key management, marketing and technical personnel. We also must continue to motivate employees and keep them focused on the strategies and goals of the combined company, which may be particularly difficult due to the potential distractions of the merger, including morale challenges posed by workforce reductions. The loss of key personnel could lead to loss of customers and a decline in revenues and prevent us from realizing the expected benefits from the acquisition of RMI.

***We may not be able to realize the anticipated synergies and other benefits we expect to achieve from the acquisition of RMI within the timeframe that is currently expected, or at all.***

Strategic transactions like our proposed acquisition of RMI create numerous uncertainties and risks. As a result, the combined company may not be able to realize the expected revenue growth and other benefits and synergies that we seek to achieve from the proposed acquisition. We believe that the businesses conducted by us and RMI are complementary in a number of respects and that the combined company can take advantage of synergies, economies of scale and other benefits in the following areas, among others:

market expansion;

increased sales to existing customers;

product and technology synergies;

operational and manufacturing synergies;

research and development synergies;

expansion of intellectual property and patent portfolio;

geographic synergies; and

cultural synergies.

However, these anticipated benefits and synergies are based on projections and assumptions, not actual experience, and actual results may deviate from our expectations for a variety of reasons, including those discussed below in this section of the proxy statement.

***We may not be successful in our expansion into the markets currently served by RMI and in addressing the new opportunities we expect to arise out of the combination.***

RMI designs and develops high performance, power-optimized processor solutions for several target markets: infrastructure equipment, enterprise systems, security and storage appliances, data center systems and industrial and connected media devices. While we believe RMI's business is complementary to our own, its products serve different markets than ours do, and we do not have experience competing in these markets. The success of our expansion into these new markets will depend on a number of factors, including:

our ability to leverage each company's successes to provide synergistic solutions to key customers and applications;

our ability to assimilate and retain key RMI personnel who have expertise in conducting RMI's business;

our ability to preserve and grow RMI's existing customer, distributor and ecosystem partner relationships;

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our ability to design and develop innovative products and solutions in these new markets and to continue RMI's success in achieving design wins with key customers;

our ability to provide high quality customer services and support; and

our ability to compete effectively against a larger number and broader range of competitors resulting from our entry into new markets.

In addition to the markets currently served by RMI, we anticipate that the combined company will be poised to address new opportunities in areas such as high-performance switching and routing control plane processing and the high-volume, ultra low-power embedded processing market for enterprise, industrial and connected media applications. If we are unsuccessful in expanding into these new market opportunities, we may not achieve the sales and revenue growth we had expected from the acquisition.

***Uncertainties associated with the acquisition or the combined company may cause delays in customer orders or even loss of customers, which could offset any benefits we may realize from the diversification of our customer base.***

In response to the announcement of the proposed transaction, or due to the diversion of management's attention, current and potential customers of RMI and NetLogic may delay or defer decisions concerning their use of our products and services. In particular, prospective customers could be reluctant to purchase the combined company's products due to uncertainty about the direction of the combined company's product offerings and our willingness to support and service existing products. To the extent that the acquisition creates uncertainty among those persons and organizations contemplating purchases such that one large customer, or a significant group of smaller customers, delays, defers or changes purchases in connection with the planned merger, our results of operations would be adversely affected. Further, customer assurances may be made by us and RMI to address our respective customers' uncertainty about the direction of the combined company's product and related support offerings which may result in additional obligations of the combined company.

***Both NetLogic and RMI receive a substantial portion of their respective revenues from a limited number of customers, and we expect that the operating results of the combined company will continue to depend on these customers following the acquisition.***

Each of NetLogic and RMI receives a substantial portion of its revenues from a limited number of customers, and in the case of NetLogic, Cisco in particular. During the years ended December 31, 2008 and 2007, Cisco and its contract manufacturers accounted for 38% and 50% of our total revenue, respectively. During the years ended December 31, 2008 and 2007, the three largest end customers of RMI by revenue accounted for 33% and 38% of RMI's total revenue, respectively. In addition, because our respective market segments are complementary, we and RMI sell products and services to overlapping customer bases. The combination of our companies will not reduce our dependency on sales to the key customers that we share. We expect that our financial performance following the acquisition of RMI will continue to depend in large part upon our relationship with Cisco and several other key customers of NetLogic and RMI. We cannot assure you that existing or potential customers will not develop their own solutions, purchase competitive products or acquire companies that use alternative methods in their systems. The loss of a key customer, a reduction in sales to any key customer or the inability of the combined company to attract new customers could negatively impact our revenues and results of operations.

***Because NetLogic and RMI sell products on a purchase order basis and rely on estimated forecasts of customers' needs, our results of operations following the acquisition will depend in part on the accuracy of our forecasts and our ability to accommodate changes in customer orders.***

Historically, neither NetLogic nor RMI has obtained firm, long-term purchase commitments from its customers. Even after purchase orders are received, customers may cancel or reschedule these orders or request a decrease in production quantities. Any rescheduling, cancellation or decrease could subject us to a number of risks, most notably that projected sales will not materialize on schedule or at all, leading to unanticipated revenue

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shortfalls and excess or obsolete inventory which we may be unable to sell to other customers. RMI has in the past had customers dramatically increase their requested production quantities in excess of their previously stated forecasts and with little or no advance notice. If we do not timely fulfill RMI's customer demands in full, its customers may cancel their orders with us, and we may be subject to liquidated damages or customer claims for cost of replacement.

Like NetLogic, RMI places orders with the manufacturers of its products according to its estimates of customer demand. Because of the lead time associated with fabrication of RMI's semiconductors, forecasts of demand for its products must be made in advance of customer orders. This process will require us to make multiple demand forecast assumptions with respect to both the customers and the end-users of the equipment and devices into which RMI's processors are incorporated. The difficulty of accurately forecasting RMI's end-user demand is compounded by the fact that RMI's products are not sold directly to end users. Our demand forecast accuracy can be adversely affected by a number of factors outside of our control, including inaccurate forecasting and changes in orders placed by the customers of RMI's products, changes in market conditions, adverse changes in product order mix and customer demand for RMI products.

If we overestimate customer demand for RMI products, we may purchase products from manufacturers that we may not be able to sell and may over-budget company operations. Conversely, if we underestimate customer demand or if sufficient manufacturing capacity were unavailable, we would forego revenue opportunities and could lose market share in the markets served by RMI's products. In addition, our inability to meet customer requirements for RMI products could lead to delays in product shipments, force customers to identify alternative sources and otherwise adversely affect our ongoing relationships with customers of RMI products. If we are unable to adequately respond to changes made to purchase orders and production demands of customers of RMI products following the acquisition, existing RMI and NetLogic customer relationships may be adversely affected and we may not achieve the revenue growth that we expect to result from the acquisition.

***There is no assurance that we will be able to continue or expand upon RMI's past success with customer design wins following the acquisition.***

RMI has achieved strategic design wins at a wide range of leading customers such as Alcatel-Lucent, Aruba, CheckPoint, Cisco, Datang Mobile, Dell, Fujitsu, HP, Huawei, Huawei-Symantec, H3C, IBM, Juniper, LG, McAfee, Motorola, NEC, Samsung, Sun and ZTE, among others. There is no assurance that we will be able to replicate or improve upon RMI's success in obtaining design wins from these and other customers following the acquisition. This uncertainty is compounded by the fact that RMI does not have long-term commitments from any of its existing customers. These bid selection processes can be lengthy, as the customers of RMI products usually require a comprehensive technical evaluation of its products before they incorporate them into their designs. If a customer's system designer initially chooses a competitor's product, it becomes significantly more difficult to sell RMI's products for use in that system because changing suppliers can involve significant cost, time, effort and risk for RMI's customers. Our failure to win a competitive bid can result in foregoing revenues from a given customer's product line for the life of that product. In addition, design opportunities may be infrequent or may be delayed. We expect to invest significant time and resources and to incur significant expenses to design RMI products to ensure compliance with relevant specifications, but even with these efforts we may have limited success in securing customer design wins for a number of reasons, including our management's lack of experience with the markets served by RMI's products, our failure to retain key RMI personnel involved in the customer design process and our failure to establish employee incentives and otherwise operate the RMI business in a manner that continues to place high priority on customer design wins. Our ability to compete in the markets in which RMI currently competes will depend, in large part, on our ability to continue to design products to ensure compliance with RMI customers' and potential customers' specifications and to secure design wins.

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***Even if we are successful in achieving customer design wins for RMI products, we may not realize the revenue growth and other benefits we expect to achieve from the acquisition.***

The nature of the design process for RMI products requires that significant expenses be incurred prior to recognizing revenues associated with those expenses, which may harm our financial results. Even if a customer designs one of RMI's products into its product offering, we cannot be assured that its product will be commercially successful, that we will receive any revenues from that manufacturer or that a successor design will include an RMI product. As a result, we may be unable to accurately forecast the volume and timing of orders and revenues associated with any new product introductions, which could adversely affect our results of operations. If we are unable to realize the revenue growth we expect to achieve from customer design wins for RMI products, we may not achieve the operational results we anticipate following the acquisition and our business may be adversely impacted.

***We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration for RMI's semiconductor solutions, which may result in reduced manufacturing yields, delays in product deliveries, increased expenses and loss of design wins and sales.***

NetLogic has substantial experience in transitioning the manufacturing processes for its products to each new generation of smaller geometry process technologies and believes that it will be necessary to migrate RMI's products to such smaller geometries as well. Any transition would require us to redesign the applicable product and require us and our foundry partners to use new or modified manufacturing processes for the product. The smallest geometry process that RMI has used for any semiconductors to date is 80 nanometer, but we expect the next generation semiconductors to be based on a 40 nanometer process. Because of our lack of experience with RMI's products and technology, we may not be as successful in migrating RMI's products to smaller geometry process technologies as we have been with our own products. We will also depend on our relationships with foundry subcontractors to transition to smaller geometry processes successfully. If we experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration for RMI products, we may experience reduced manufacturing yields, delays in product deliveries, increased expenses and loss of design wins and sales, any of which could prevent us from realizing the anticipated benefits from the acquisition.

***We expect to rely on third-party technologies for the development of RMI's products, and our inability to use these technologies in the future could harm our ability to compete in RMI's markets.***

RMI relies on third parties for technologies that are integrated into its products, such as wafer fabrication and assembly and test technologies used by its contract manufacturers, as well as licensed MIPS architecture technologies. If we are unable to continue to use or license these technologies on reasonable terms, or if these technologies fail to operate properly following the acquisition, we may not be able to secure alternatives in a timely manner, and our ability to remain competitive in the markets served by RMI would be harmed. In addition, the MIPS license requires that certain improvements be made available to the community of all of MIPS' licensees, which could conceivably reduce the proprietary advantage that we will have with this architecture. If we are unable to license technology from third parties on commercially reasonable terms in order to continue to develop current products or to develop future products for the markets served by RMI, we may not be able to develop these products in a timely manner or at all.

***Like NetLogic, RMI has lengthy sales cycles, which creates a number of risks that might prevent us from achieving the revenue growth we expect from the acquisition.***

The time between which a design win is achieved for an RMI product and the time the product is shipped to the customer is lengthy. Design wins for RMI's advanced solutions can take from 18 to 36 months to ramp up to volume production and typically have a life cycle of five to seven years. In anticipation of product orders for RMI products, we may incur substantial costs before the sales cycle is complete and before we receive any customer payments. As a result, in the event that a sale is not completed or is cancelled or delayed, we may have incurred substantial expenses, making it more difficult for us to become profitable or otherwise negatively

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impacting our financial results. Furthermore, because of the lengthy sales cycle of RMI products, our receipt of revenue from our selling efforts may be substantially delayed, our ability to forecast our future revenue may be more limited and our revenue may fluctuate significantly from quarter to quarter.

The development schedule for RMI products is influenced by a number of factors, many of which will be beyond our control. If we are unable to execute upon the development plans for existing and future generations of RMI products, the shipment of RMI products could be delayed, we may miss a product life cycle for a customer of an RMI product and the opportunity for sales to that customer could be impacted for several years. Consequently, the RMI brand name may be impaired, our reputation may be damaged and customers of RMI products may be reluctant to buy RMI products from us, which could harm our ability to retain existing customers and attract new customers and prevent us from recognizing the anticipated revenue growth from the acquisition of RMI.

***The average selling prices of NetLogic's and RMI's products have declined in the past and may continue to decline following the acquisition, which could reduce the combined company's revenue and gross margin.***

The average selling prices of the respective products of NetLogic and RMI have generally declined over the course of their commercial lives, principally due to the supply of competing products, reduction in demand from customers, pressure from customers to reduce prices and product cycle changes. We expect these trends to continue in the combined company. Declining average selling prices on RMI products can adversely affect our future operating results and prevent us from realizing the expected growth from the acquisition. For the combined company to achieve the operating results we expect following the acquisition, we will need to develop and introduce new products and product enhancements for the RMI business on a timely basis, while controlling costs. If we are unable to offset any reductions in our average selling prices by increasing our sales volumes and achieving corresponding production cost reductions, or if we fail to develop and introduce new products and enhancements on a timely basis, our revenue and operating results will suffer.

***If we are unable to continue to develop or maintain RMI's existing relationships with its distributors and ecosystem partners, we may not achieve the growth of sales and revenues we anticipate from the acquisition and our operating results may suffer.***

A significant portion of sales of RMI products are made through third-party distribution agreements. Termination of a distributor relationship following our acquisition of RMI, either by us or by the distributor, could result in a temporary or permanent loss of revenues, until a replacement distributor can be established to service the affected end-user customers or territories. We may not be successful in finding suitable alternative distributors on satisfactory terms or at all and this could adversely affect our ability to sell in certain locations or to certain end-user customers. These arrangements with distributors typically include price protection provisions if list prices are reduced for RMI products. Additionally, if we terminate an existing arrangement with a distributor of RMI products, we may be obligated to repurchase unsold products.

RMI also has developed important relationships with third parties, which RMI refers to as ecosystem partners, that provide operating systems, tool support, reference designs and other services designed for specific uses with RMI's semiconductors. We believe that these relationships enhance the ability of purchasers of RMI products to introduce their products into market quickly. If we are unable to develop or maintain these relationships, our ability of the combined company to compete in the markets for RMI's products would be impaired.

***We will continue to face strong competition within the semiconductor industry following the acquisition of RMI, which could adversely affect our revenue growth and operating results.***

The semiconductor industry is extremely competitive. Although the acquisition of RMI may increase our customer base and resources, many of NetLogic's and RMI's current competitors will continue to have more diverse customer bases and greater financial and other resources than the combined company will have. Our competitors may be able to better anticipate customer and industry demands and to respond more quickly and efficiently to those demands, such as with product offerings, financial discounts or other incentives. We cannot assure you that the combined company will be able to compete effectively against these competitors.

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Our acquisition of RMI will expose us to a new field of competitors with which we may have limited familiarity. Because NetLogic and RMI provide semiconductor solutions for distinct, although complementary, market segments, the combined company will face significantly more competition than either company faced before the acquisition. Within our target markets, we currently compete primarily with Renesas Technology, Corp., LSI Corporation, Applied Micro Circuits Corporation, Broadcom Corporation, Marvell Technology Group Ltd., Cortina Systems, Inc. and Vitesse Semiconductor Corporation. Within its target markets, RMI currently faces competition from a number of established companies, including Broadcom Corporation, Cavium Networks, Inc., Freescale Semiconductor, Inc., Hifn, Inc., Intel Corporation, Marvell Technology Group Ltd., PMC-Sierra, Inc., Samsung Semiconductor and others. As we enter new markets and pursue additional applications for our products, we expect to face competition from an even larger number of competitors. If we cannot compete successfully, our business, operating results and financial condition could be significantly harmed.

***The cyclical nature of the semiconductor and communications industries could adversely affect the operating results and business of the combined company.***

Historically, there have been significant downturns in this industry segment, characterized by reduced demand for integrated circuits and accelerated erosion of average selling prices. At times, these downturns have lasted for prolonged periods of time. Furthermore, from time to time, the semiconductor industry also has experienced periods of increased demand and production constraints, in which event we may not be able to have our products produced in sufficient quantities, if at all, to satisfy our customers' needs. It is likely that the communications integrated circuit business will experience similar downturns in the future and that, during such times, our business could be affected adversely. It is also likely that the semiconductor industry will experience periods of strong demand. We may have difficulty in obtaining enough products to sell to our customers or may face substantial increases in the wafer prices charged by our foundries. RMI's business is also subject to the cyclical nature of the communications industry and we expect that this will continue in the combined company. The communications industry has, in the past, experienced pronounced downturns and is currently in the midst of a pronounced downturn, and these cycles may continue in the future. To respond to a downturn, many networking equipment providers may slow their research and development activities, cancel or delay new product development, reduce their inventories and take a cautious approach to acquiring RMI's products, which would have a significant negative impact on our business.

***Our operating results will depend in part on the growth of developing sectors of the connected media market served by RMI.***

RMI's business is highly dependent on developing sectors of the connected media market, including portable media players, personal navigation devices, automobile infotainment devices and home media players. The connected media market is highly competitive and is characterized by, among other things, frequent introductions of new products and short product life cycles. If the target markets for the RMI products within the consumer electronics market do not grow as rapidly or to the extent anticipated, the combined company's business could suffer. RMI currently derives a significant portion of its revenues from the sale of its semiconductor solutions for use in emerging connected media applications. Our ability to sustain and increase revenue is in large part dependent on the continued growth of these rapidly evolving market sectors, whose future is largely uncertain. Many factors could impede or interfere with the expansion of these connected media market sectors, including a slowdown in overall consumer spending, consumer demand in these sectors, general economic conditions, other competing consumer electronic products and insufficient interest in new technology innovations. Any of these dynamics in the consumer electronics market could harm future sales of the RMI products and prevent us from realizing the anticipated benefits of our acquisition of RMI.

***RMI's business is subject to seasonality, which may cause us to experience greater fluctuation of our revenues following the acquisition.***

RMI sells a significant number of its semiconductors into the connected media device market. RMI's customers who manufacture products for the consumer electronics market typically experience seasonality in the



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sales of their products, which in turn may affect the timing and volume of orders for RMI's semiconductors. RMI typically experiences slower rates of growth in sales during its first fiscal quarter ending March 31 and higher sales growth rates in RMI's other fiscal quarters as a result of the seasonality of demand associated with the connected media markets into which RMI sells its products. To the extent customers for the RMI products experience greater seasonality in the sales of their connected media products containing RMI's semiconductors, our operating results may vary significantly from quarter to quarter.

***Our gross margins may fluctuate in future periods, which could have a significant impact on the combined company's financial results.***

RMI's products are incorporated in equipment and devices that are sold to end users in each of the following market segments of the global connectivity network: infrastructure equipment, enterprise systems, security and storage appliances, data center systems and industrial and connected media devices. The gross margins that RMI has historically realized from these sales heavily depend on the proportion of its revenues that are attributable to each of these three segments. For example, manufacturers' gross margins for product sales to the connected media device segment are typically lower than the margins realized from sales to the infrastructure equipment and enterprise systems segments. As a result, the gross margins on RMI products may vary from quarter to quarter as a result of changes in the proportion of its sales to each of these three segments of the global connectivity network and its ability to reduce costs as the average selling prices of its products decline. The gross margins on RMI products may also fluctuate as a result of changes in general market conditions and overall customer demand for its products. To the extent that we experience fluctuating or declining gross margins on RMI products in any particular period following the acquisition, our business, results of operations and financial condition could suffer.

***The reliance of NetLogic and RMI on a limited number of overlapping third-party subcontractors, and TSMC in particular, for the manufacture, assembly, packaging and testing of their products makes the combined company susceptible to significant operational risks.***

Like NetLogic, RMI does not manufacture, assemble, package or test its products, and must rely on third-party subcontractors to perform these services. RMI currently relies on Taiwan Semiconductor Manufacturing Company, or TSMC, to produce all of RMI's silicon wafers, other than those used in RMI's XL7110 product, for which RMI relies upon United Microelectronics Corporation, or UMC. RMI also relies on Advanced Semiconductor Engineering, or ASE, and ISE to assemble, package and test all of RMI's semiconductors, and RMI relies upon JSI Shipping to provide supply chain management services. Because of its reliance on a limited number of third-party subcontractors for these services, RMI faces many of the same risks as we do in this regard, and we expect these risks to continue to be present in the combined company. These risks include, among others:

if these subcontractors do not provide high-quality products, services and production and test capacity for RMI products in a timely manner, or if one or more of these subcontractors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders for RMI products on a timely basis, our relationships with customers of RMI products could suffer, our growth following the acquisition could be limited;

we do not expect to have long-term supply contracts with any third-party subcontractors for RMI's products and we cannot be assured that adequate capacity will be available, or will be available on commercially acceptable terms, to meet future demand for RMI products;

we would face significant challenges associated with moving our semiconductor production from the existing manufacturers of RMI's products to another manufacturer with whom we do not have a pre-existing relationship, and we may not be able to make any such arrangement in a timely fashion or at all;

TSMC and other third-party contractors for our and RMI's products are concentrated primarily in Taiwan, an area subject to earthquakes and other disruptions which could cause significant delays in the production or shipment of our products; and

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we and our wafer foundries have experienced, and are likely to continue to experience manufacturing defects and reduced manufacturing yields related to errors or problems in our wafer foundries' manufacturing processes or the interrelationship of their processes with our designs, which may affect the quality or reliability of our products.

Any of these problems, to the extent that they prevent us from satisfying customer orders for RMI products or create delays may adversely impact our relationships with customers for RMI's products and limit our revenue growth following the acquisition.

***A significant portion of the customers, contract manufacturers and operations of the combined company will be located outside of the United States, which subjects us to additional risks, including increased complexity and costs of managing international operations and geopolitical instability.***

Like NetLogic, RMI conducts, and expects to continue to conduct, a significant amount of business outside the United States, particularly in Asia and Europe. Both companies have international operations in India and China. RMI also has a number of sales offices located outside the United States. During the years ended December 31, 2008 and 2007, sales in Asia represented 79% and 81% of RMI's total revenue, respectively. Even customers that are based in the United States often use contract manufacturers based in Asia to manufacture their systems and it is the contract manufacturers that purchase products directly from RMI. As a result of the international nature of our business and the concentration of our manufacturing operations in Taiwan, the combined company will face numerous challenges, including increased complexity and costs of managing international operations and geopolitical instability.

***Our failure to protect RMI's intellectual property rights adequately could impair our ability to compete effectively or to defend ourselves from litigation, which could harm our business, financial condition and results of operations.***

Like NetLogic, RMI relies primarily on patent, copyright, trademark and trade secret laws, as well as confidentiality and nondisclosure agreements and other methods, to protect its proprietary technologies and know-how. RMI has 63 issued patents and 63 pending patent applications in the United States, and two issued and 15 pending foreign patent applications. Even if the pending patent applications are granted, the rights granted may not be meaningful or provide it with any commercial advantage. For example, these patents could be opposed, contested, circumvented or designed around by RMI's competitors or be declared invalid or unenforceable in judicial or administrative proceedings. The failure of RMI's patents to adequately protect its technology might make it easier for its competitors to offer similar products or technologies. RMI's foreign patent protection is generally not as comprehensive as RMI's United States patent protection and may not protect its intellectual property in some countries where its products are sold or may be sold in the future. Many United States-based companies have encountered substantial intellectual property infringement in foreign countries, including countries where RMI sells products. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. As a result, RMI's intellectual property rights and patent portfolio may have less value than we have anticipated.

Some of the software used with RMI's products, as well as that of some of RMI's customers, may be derived from so called "open source" software that is generally made available to the public by its authors and/or other third parties. This open source software is often made available to RMI under licenses, such as the GNU General Public License, which impose certain obligations on RMI in the event RMI were to make available derivative works of the open source software. These obligations may require us in the future to make source code for RMI's derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of license historically used to protect RMI's intellectual property. In addition, there is little or no legal precedent for interpreting the terms of certain of these open source licenses, including the determination of which works are subject to the terms of such licenses. In the event the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work.

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**CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

Certain statements in this proxy statement which are not historical facts may constitute forward-looking statements that involve risks and uncertainties. These forward-looking statements address, among other things, the anticipated effects of the acquisition of RMI. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors. These factors include, but are not limited to, the following:

the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the proposed transaction within the expected time-frames or at all;

integration of the operations of RMI with those of NetLogic may be more difficult, time-consuming or costly than expected and may not be as successful as the parties anticipate;

revenues of the combined business following the transaction may be lower than expected;

operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) of the combined business may be greater than expected following the transaction;

the ability to retain key employees of RMI and NetLogic subsequent to the completion of the transaction;

the conditions to the completion of the transaction may not be satisfied;

regulatory approvals required for the transaction might not be obtained on the terms expected and obtaining any such approvals or any other necessary regulatory reviews may not occur on the anticipated schedule;

the parties might not be able to meet expectations regarding the timing, completion and effects of the transaction;

RMI and NetLogic are subject to intense competition;

the failure of either RMI or NetLogic to protect its intellectual property rights may weaken the competitive position of the combined company;

in the future third parties may assert claims, including, without limitation, intellectual property infringement claims, that could materially adversely affect the operating results of the combined company; and

other factors described in this proxy statement under Risk Factors.

All forward-looking statements in this proxy statement are qualified in their entirety by this cautionary statement, and no person undertakes any obligation to update publicly any forward-looking statement for any reason, except as required by law, even as new information becomes

available or other events occur in the future. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

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**SPECIAL MEETING OF NETLOGIC STOCKHOLDERS**

**General; Date, Time and Place**

This proxy statement is being furnished in connection with the solicitation of proxies on behalf of NetLogic's board of directors for use at a special meeting of the NetLogic stockholders to be held on [ ], 2009, at [ ] a.m., local time, or at any adjournments or postponements thereof. The special meeting will be held at the offices of [ ]. If you need directions to the location of the special meeting in order to attend the meeting and vote in person, please contact NetLogic's Vice President, General Counsel and Secretary, Roland Cortes, at (650) 961-6676.

**Purpose of Meeting**

The special meeting is being held to request that stockholders consider and vote upon a proposal to approve the issuance of a maximum of 13,080,000 shares of our common stock in connection with our proposed acquisition of RMI as described in this proxy statement. In addition, you are also being asked to approve any adjournment of the special meeting, including for the purpose of soliciting additional proxies, in the discretion of the proxies (or either of them).

We do not expect a vote to be taken on any other matters at the special meeting. If any other matters are properly presented at the special meeting for consideration, however, the holders of the proxies, if properly authorized, will have discretion to vote on these matters in accordance with their best judgment.

**Record Date; Voting Information**

The record date for the special meeting is [ ], 2009. If you were a stockholder of record of our common stock at the close of business on the record date, you are entitled to notice of, and to vote at, the special meeting and any adjournments thereof. At the close of business on the record date, [ ] shares of our common stock were outstanding and entitled to vote. Stockholders are entitled to one vote on each matter submitted to the stockholders for each share of our common stock held as of the record date.

**Required Votes**

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 present in person and voting on the proposal or represented by proxy and voting on the proposal.

The adoption of the proposal to permit the proxies to adjourn the special meeting, including for the purpose of soliciting additional proxies, requires the affirmative vote of the majority of the 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.

**Quorum**

Shares entitled to vote at the special meeting may take action on a matter at the special meeting only if a quorum of those shares exists with respect to that matter. The presence at the meeting, in person or when authorized, by means of remote communication or represented by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business at the special meeting.

**Abstentions and Broker Non-Votes**

Under the Delaware General Corporation Law, an abstaining vote and a broker non-vote are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the

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special meeting. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner signs and returns a proxy with respect to shares of common stock held in a fiduciary capacity (typically referred to as being held in street name) but does not vote on a particular matter because the nominee does not have the discretionary voting power with respect to that matter and has not received instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters but not on non-routine matters. The proposals that NetLogic stockholders are being asked to vote on at the special meeting are not considered routine matters and accordingly brokers or other nominees may not vote without instructions.

Broker non-votes are considered present but not entitled to vote on proposals. Broker non-votes will not affect the outcome of the vote on the proposal to approve the issuance of our common stock in connection with the acquisition of RMI because broker non-votes are excluded from the tabulation of votes cast on the proposal. Broker non-votes will, however, have the same effect as votes AGAINST the proposal to permit the proxies to adjourn the special meeting, because the required vote for that proposal is a majority of the shares present in person or by proxy at the meeting.

Abstentions are counted as present and entitled to vote for purposes of establishing a quorum. An abstention will have the same effect as a vote AGAINST the proposal to approve the issuance of our common stock in connection with the acquisition of RMI because abstentions are included in the tabulation of votes cast on the proposal. An abstention will also have the same effect as a vote AGAINST the proposal to permit the proxies to adjourn the special meeting.

## **Adjournment or Postponement**

If a quorum is not present at the special meeting, the stockholders entitled to vote at the meeting, present in person or represented by proxy, have the power to cause the meeting to be adjourned, including for the purpose of soliciting additional proxies, from time to time, without notice other than announcement at the meeting, until a quorum is present or represented by proxy. At an adjourned meeting at which a quorum is present or represented by proxy any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjournment meeting, a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the adjourned meeting.

## **Recommendation of NetLogic's Board of Directors**

Our board of directors has unanimously adopted and approved the merger agreement and believes that our acquisition of RMI pursuant to the terms of the merger agreement, including the proposed issuance of our common stock in connection with the acquisition, is in our and our stockholders' best interests. For a description of the factors considered by our board of directors in making its determination with respect to the acquisition, see the section in this proxy statement entitled "The Merger - NetLogic's Board of Directors' Reasons for the Merger."

## **OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ISSUANCE OF NETLOGIC COMMON STOCK IN CONNECTION WITH THE ACQUISITION OF RMI.**

## **Solicitation and Voting Procedures**

To vote in person, a stockholder must attend the special meeting, and then complete and submit the ballot provided at the meeting. To vote by proxy, a stockholder must mark, sign, and date the enclosed proxy card and mail it to our transfer agent or submit proxy instructions electronically by using the Internet and logging on to [www.eproxy.com/net/](http://www.eproxy.com/net/) as provided on the proxy card. The board of directors has appointed Ronald Jankov and

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Roland Cortes as holders of the proxies submitted in response to the solicitation pursuant to this proxy statement. An automated system administered by our transfer agent tabulates stockholder votes submitted by proxy, and an officer of NetLogic will tabulate votes cast in person at the special meeting.

The cost of soliciting proxies, including expenses in connection with preparing and mailing of this proxy statement, will be borne by us. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. We will reimburse brokerage firms and other persons representing beneficial owners of common stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, telegram, electronic facsimile transmission and other electronic means, and personal solicitation by our directors, officers or employees. No additional compensation will be paid to our directors, officers or employees for such solicitation. We have retained Wells Fargo Shareowner Services to assist in the distribution of proxies for a fee estimated to be approximately \$5,000 plus reasonable out-of-pocket expenses. We have retained [ ] to assist us in the solicitation of proxies, and [ ] will receive fees of approximately \$[ ] for this service, in addition to reimbursement of out-of-pocket expenses.

Copies of certain reports and statements that we have previously filed with the Securities and Exchange Commission, or SEC, are being mailed to stockholders with this proxy statement. Additional copies of these SEC filings may be obtained by any stockholder without charge by making a request through our website Investor Information pages at [www.netlogicmicro.com](http://www.netlogicmicro.com) or by written request addressed to: Investor Relations, NetLogic Microsystems, Inc., 1875 Charleston Road, Mountain View, California 94043.

## **Revocability of Proxies**

You can revoke your proxy at any time before the voting at the special meeting by sending a properly signed written notice of your revocation to the Secretary of NetLogic, by submitting another proxy that is properly signed and bearing a later date, by following the specified procedures for submitting a proxy electronically and changing your vote, or by voting in person at the special meeting. Attendance at the special meeting will not itself revoke an earlier submitted proxy. You should direct any written notices of revocation and related correspondence to NetLogic Microsystems, Inc., 1875 Charleston Road, Mountain View, California 94043, Attention: Secretary.

\* \* \*

## **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON [ ], 2009**

**This Proxy Statement and the Proxy Card and are available at**

**[<http://www.netlogicmicro.com/proxymaterials.htm>.]**

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### **THE MERGER**

*At the NetLogic special meeting, our stockholders will be asked to consider and vote upon a proposal to approve the issuance of shares of our common stock in connection with our proposed acquisition of RMI. Set forth below in this section, and in the section entitled *Merger Agreement* beginning on page 33 below, is a discussion of the proposed transaction, including a description of the terms and conditions of the merger agreement. You should review these sections carefully in connection with your consideration of the proposal.*

#### **General Description**

On May 31, 2009, NetLogic and merger sub entered into the merger agreement with RMI for the acquisition of RMI through the merger of merger sub with and into RMI. The parties intend for the merger to constitute a tax-free reorganization for federal income tax purposes.

The merger agreement provides for 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 an 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. Merger consideration will be paid at the closing date of the acquisition and, subject to the attainment of earn-out objectives applicable to the acquired business during the 12-month period following the closing date, within 90 days after the first anniversary of the closing date.

As soon as practicable after satisfaction or waiver, to the extent permitted in the merger agreement, of all conditions to the merger, RMI and merger sub will file a certificate of merger with the Secretary of State of the State of Delaware and make all other filings or recordings required by Delaware law in connection with the merger. At the effective time, merger sub will merge with and into RMI, and RMI will be the surviving corporation in the merger and will become our wholly-owned subsidiary. The closing of the merger is currently anticipated prior to the end of the third quarter of 2009.

#### **Background of the Merger**

On January 22, 2009, Ron Jankov, our President and Chief Executive Officer, met with Behrooz Abdi, RMI's President and Chief Executive Officer and a member of its board of directors, at RMI's headquarters in Cupertino, California to discuss ideas for strategic partnerships, investment and other business opportunities.

Thereafter, between January 29 and February 6, 2009, Kelvin Khoo, our Senior Director of Business Development, met on three occasions with Mark Litvack, RMI's Director of Business Development, to discuss the potential for joint business arrangements.

On February 11, 2009, Mr. Abdi met with Mr. Jankov at our headquarter in Mountain View, California. Mr. Abdi advised Mr. Jankov that RMI intended to raise additional equity capital and proposed that NetLogic invest in the financing. Mr. Jankov indicated that NetLogic might have an interest in doing so. RMI never finalized the terms of such financing, no specific terms or amounts were disclosed, and the financing was not discussed subsequently.

On February 12, 2009, Steven Geiser, RMI's Chief Financial Officer, and Mr. Litvack met with Niall Bartlett, our Vice President of Corporate Development, and Mr. Khoo at our office to present RMI's investor presentation. At that meeting, the parties also discussed the possibility of entering into a business agreement in connection with our investment in the proposed financing.

On February 13, 2009, we provided a draft of a business agreement to RMI. Subsequently, multiple meetings and calls between Mr. Litvack and Mr. Khoo took place to negotiate the key terms of the business agreement.

On March 10, 2009, Mr. Jankov and Mr. Abdi had a phone conversation during which they discussed a possible combination of NetLogic and RMI.



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On March 11, 2009, Mr. Abdi, Mr. Geiser and Mr. Litvack met with Mr. Jankov, Mike Tate, our Chief Financial Officer, and Mr. Khoo at our office for RMI to present a business overview and details on RMI's ultra low-power processor product to NetLogic.

On March 18, 2009, Messrs. Abdi, Geiser and Litvack visited our office to present the financial and customer overview of the RMI business to Messrs. Jankov, Tate and Khoo. The next day, Messrs. Tate and Khoo visited RMI's office to present a corporate overview of NetLogic to Messrs. Abdi, Geiser and Litvack.

Mr. Khoo and Mr. Litvack met three times between March 20 and April 1, 2009 to discuss at a high level the terms and conditions of a potential acquisition of RMI by NetLogic. On April 6, 2009, Mr. Jankov and Mr. Abdi had a phone conversation to discuss some of the key terms for the potential acquisition. Mr. Khoo and Mr. Litvack met again on April 9, 2009 to continue discussions of proposed acquisition terms.

On April 14, 2009, Mr. Abdi and Mr. Litvack visited our office to present details on RMI's business to Messrs. Jankov, Tate and Khoo. Following the meeting, Mr. Jankov and Mr. Abdi had a dinner meeting with Bruce Dunlevie, a member of RMI's board of directors.

We held a meeting of our board of directors on April 15, 2009 at which members of our management presented an overview of RMI's business and a preliminary financial and strategic analysis of RMI. The presentation included revenue projections based on assumptions of RMI's management and financial, statistical and other information concerning RMI's products, customers, strategic partners and competitors. The opportunity to acquire RMI, as well as certain network search engine assets of IDT, was discussed by our board of directors at the meeting.

On April 17, 2009, the companies executed an amendment to their Mutual Non-Disclosure Agreement dated June 8, 2008 to particularly address the continuing negotiations regarding the proposed merger. On the same date, we provided RMI with a non-binding letter of intent to acquire all of the outstanding capital stock and rights to acquire capital stock of RMI for \$165 million in shares of our common stock and the issuance of \$55 million in restricted stock units and/or options to acquire shares of our common stock to continuing RMI employees. This proposal provided that pricing for our common stock would be based on the average closing price of our common stock over the 20-trading day period ending on the third trading day prior to the closing date.

On April 19, 2009, Messrs. Geiser and Litvack met with Messrs. Tate and Khoo at our office to present a financial analysis of the RMI business.

On April 22, 2009, at a regularly scheduled meeting of our board of directors, Messrs. Jankov, Tate and Khoo provided our board of directors with an update on the negotiations between the two companies.

On April 24, 2009, Mr. Khoo and Mr. Litvack met to discuss the terms of the non-binding letter of intent submitted by NetLogic on April 17, 2009. On April 26, 2009, Mr. Jankov and Mr. Abdi had a follow-up phone conversation to discuss the terms of the non-binding letter of intent. During that conversation, Mr. Abdi stated that the financial terms of the April 17, 2009 letter of intent were not acceptable to RMI because they undervalued RMI. He and Mr. Jankov discussed the concept of an earn-out as a way to overcome the significant difference between our offer and RMI's expectations.

On April 27, 2009, we provided RMI with a revised non-binding letter of intent. This proposal provided for the payment to RMI of merger consideration totaling \$180 million up front, payment of up to \$70 million in additional earn-out consideration and the issuance of \$65 million of shares of our common stock to continuing RMI employees in the form of stock options and restricted stock units. Our proposal regarding the upfront merger consideration was based upon our own expectations for RMI's future revenues and other operating results. Our expectations reflected our management's subjective assessment of likely rates of growth in the

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communications integrated circuit market, growth in customer demand and growth of our own business during the relevant period, which growth assessments it then applied to RMI's actual and projected revenues in computing our revenue estimates for RMI. Because our revenue estimates were lower than those of RMI, we disagreed about the proper valuation of the business and, therefore, the purchase price of the company. As proposed, up to \$70 million in earn-out consideration would be earned based on the performance of the acquired RMI business during the first full 12 months following the closing date of the acquisition, measured by comparing the actual revenues achieved during those 12 months against the revenues forecasted by RMI management as presented to us in RMI's April 2009 financial plan.

In addition to adding the earn-out feature, this proposal incorporated a price collar concept that would establish an upper and lower limit on the applicable closing price of our common stock for the purpose of valuing the shares of our common stock issued as merger consideration and equity incentive awards, and that the average closing price be determined based on the 20-trading day period ending May 6, 2009.

On April 28, 2009, Mr. Jankov met for dinner with Mr. Abdi and RMI directors Henry Kressel, Bruce Dunlevie and Don Schrock. The next day, RMI provided NetLogic with its response to the non-binding letter of intent. RMI proposed modifications to the earn-out, the price collar and other legal terms and requested that we provide to RMI a \$15 million interim bridge loan. In its response, RMI proposed that a greater portion of the aggregate earn-out amount be paid upon RMI's completion of smaller increments of the performance milestones, and that the lower limit of the price collar be reduced to provide increased price protection and predictability to RMI stockholders regarding the total consideration they could receive in the merger. In addition, RMI introduced new provisions of the letter of intent specifying, among other things, the establishment of an escrow holdback as security for RMI's indemnity obligations under the merger agreement; the closing conditions to which each party's obligation to consummate the transaction would be subject; and the parties' agreement as to how we would run the RMI business through the duration of the earn-out period.

On May 5, 2009, NetLogic provided RMI with a revised non-binding letter of intent. This version of the letter of intent included revised proposals on the earn-out and the collar as well as changes to the termination, escrow, indemnification and other legal terms. In our revised letter of intent, we rejected many of the proposed changes made by RMI with respect to the earn-out and the price collar, increased the proposed number and scope of the conditions to our obligation to consummate the transaction, and increased the length of the parties' proposed exclusivity period that would commence on the date the letter of intent was signed. Following this, Mr. Tate, Mr. Khoo and representatives of Bingham McCutchen LLP, or Bingham, our legal advisor, met with Mr. Geiser, L. William Caraccio, RMI's General Counsel, Mr. Litvack and representatives of Pillsbury Winthrop Shaw Pittman LLP, or Pillsbury, RMI's legal advisor, at the offices of Bingham to discuss and negotiate the key terms of the letter of intent. The same individuals resumed their negotiations on May 6, 2009.

On May 7, 2009, NetLogic and RMI executed a letter of intent setting forth substantially the same financial terms as would later be reflected in the merger agreement.

Between May 8 and May 31, 2009, NetLogic personnel and attorneys from Bingham and other law firms representing NetLogic in the transaction conducted a due diligence review of RMI.

At various dates and times between May 25 and May 31, 2009, representatives of NetLogic and its attorneys from Bingham met with RMI's representatives and its attorneys from Pillsbury at Bingham's offices to negotiate the key terms of the merger agreement. During this period, the parties agreed that RMI would seek the written consent to the merger of RMI stockholders holding a substantial majority of the RMI preferred stock and a majority of the RMI common stock shortly after execution of the merger agreement. As a consequence of obtaining those written consents, we would be unable to register our common shares to be issued in the merger under the federal securities laws. Therefore, we and RMI agreed to restructure the merger consideration to provide that the RMI preferred stockholders would be issued our common stock pursuant to a private placement.

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exemption from registration, and the RMI common stockholders would be paid cash in an amount approximately equal to the value of the common shares they otherwise would have received in the merger.

On May 30, 2009, our board of directors held a special meeting to discuss the proposed acquisition terms and merger agreement. During this meeting:

Roland Cortes, our General Counsel, updated the board of directors on developments in negotiations since the board of directors previous meeting on April 15, 2009;

Mr. Tate, Mr. Cortes and a representative of Bingham presented to the board of directors the results of the due diligence review of RMI conducted by NetLogic and the law firms representing NetLogic in the transaction;

A representative of Bingham outlined the key terms of the merger agreement and the legal duties and responsibilities of the board of directors; and

Mr. Tate discussed the likely financial impact of the acquisition upon our financial condition, results of operations, cash flow and stockholders' equity.

After extensive discussion and deliberation on the proposed transaction, our board of directors unanimously determined that the merger agreement and the merger were advisable and in the best interests of our stockholders, approved the merger agreement and its execution and resolved to recommend that our stockholders approve the issuance of shares of our common stock in connection with the acquisition.

On May 31, 2009, NetLogic and RMI executed the merger agreement.

### **NetLogic's Board of Directors' Reasons for Approval of the Merger**

We believe the combination with RMI presents significant opportunities to grow our business and address substantially larger markets while taking advantage of a number of sales, marketing and research and development synergies.

#### *Market Expansion*

The growth drivers that are opening up new opportunities for our knowledge-based processor and high performance physical layer products such as the rapid growth in converged IP traffic and demand for the support of advanced IP services, including video, 3G/4G, voice-over-IP and enhanced security, are also opening up new market growth opportunities for RMI's high-performance multi-core, multi-threaded processors. RMI has established a leadership position in the high value and rapidly growing market for data-in-flight networking, communications, security and storage applications. We also believe that RMI's technology and products can address new opportunities in high-performance switching and routing control plane processing. Beyond that, we believe that over time there will be opportunities in the high-volume, ultra low-power embedded processing market for enterprise, industrial and connected media applications.

#### *Increased Sales to Existing Customers*

As our respective market segments are complementary, we expect to be able to offer a broader mix of solutions, services and support to key customers. RMI has design wins at a wide range of leading customers such as Alcatel-Lucent, Aruba, CheckPoint, Cisco, Datang Mobile, Dell, Fujitsu, HP, Huawei, Huawei-Symantec, H3C, IBM, Juniper, LG, McAfee, Motorola, NEC, Samsung, Sun and ZTE, among others, many of which are also customers of ours. In addition, we believe the combined entity will lessen the concern of some larger customers regarding the long-term financial viability of a stand-alone RMI and give them greater confidence about designing in RMI's products.

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### *Product and Technology Synergies*

The acquisition will provide us with an expanded portfolio of highly advanced products for existing as well as new customers. Our ability to provide a more comprehensive portfolio of truly differentiated platform-level solutions combining products currently offered by us alongside RMI's will further strengthen our customers' ability to support the complexity and speeds of next-generation converged IP networks.

### *Product Leadership*

RMI offers a family of highly innovative multi-core, multi-threaded processors that deliver best-in-class performance, low-power profile and scalability for advanced networking, communications, data center, security, storage, industrial and connected media applications. The sophisticated architectural innovations of RMI's processors have allowed RMI to achieve greater performance in advanced data plane and control plane processing applications compared to competing architectures, while also achieving much lower power consumption. In addition, RMI has successfully executed on delivering products in advanced technology nodes, including the recently introduced XLP processor which will be developed on TSMC's 40 nanometer node, allowing additional power and performance capabilities.

### *R&D Team and Skill Set Synergies*

The combination of our and RMI's R&D centers will bring together critical skill sets in high-speed circuit design, processor architectures and innovative low-power techniques in advanced manufacturing process nodes, as well as software expertise that will enable us to accelerate the product roadmaps of both companies and continue to deliver best-in-class products and solutions. For example, both companies are designing full custom circuits using TSMC's advanced 40 nanometer process technology. This will enhance our ability to leverage our respective design methodologies, IP portfolio and operational expertise to bring products to market more quickly and efficiently on this advanced product node.

### *Expand Intellectual Property and Patent Portfolio*

The acquisition of RMI will expand our intellectual property portfolio and will add approximately 63 issued U.S. patents in the areas of high-performance and low-power processor design and development.

### *Operational and Manufacturing Leverage*

Because both companies utilize TSMC as the primary fabrication partner and many of the same packaging and assembly suppliers, we believe that we can achieve benefits of scale from the combination and reduce costs for our products by joining forces and driving operational leverages in the cost structure of the combined company. We also believe that we can improve RMI's manufacturing yields by sharing our expertise.

### *Geographic Synergies*

We believe there are substantial synergies due to the proximity of our headquarters in Silicon Valley, and our respective international design centers in India and China.

### *Cultural Similarities*

We believe both companies share common corporate cultures and values that are driven by strong technical excellence, innovation and execution, resulting in successful track records of delivering best-in-class products to our respective customers.

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*Potentially Negative Factors*

Our board of directors also considered a number of potentially negative factors in assessing the advisability of the acquisition, including the following:

the significant liquidity and cash flow risks we might face as a result of the cash expenditures and capital commitments associated with the proposed acquisition of RMI and other recent acquisitions;

the possibility that the actual value of the merger consideration we will pay to RMI stockholders could significantly exceed the nominal value specified in the merger agreement;

the fact that the calculation of the merger consideration as specified in the merger agreement was not subject to adjustment in the event the value of the business or assets of RMI declines before the merger is completed;

the risk that the acquisition would not occur if the conditions to closing are not met, and the possible adverse impact on the market price of our common stock as well as our business, financial condition and results of operations;

the possibility that, as shares of our common stock issued in the acquisition become eligible for resale, the sale of those shares in the public market could adversely impact our stock price;

the possibility that we may not be able to integrate RMI as quickly or as cost-effectively as we had expected, or that we might be unsuccessful in integrating the two companies altogether;

the possibility that management's attention will be diverted from the day-to-day operations of the combined company during the integration of the two companies;

the challenges inherent in assimilating two business cultures;

the challenges involved in attracting and retaining key personnel, particularly in light of uncertainty regarding the acquisition;

the difficulties in keeping existing customers and obtaining new customers that sometimes arise in light of uncertainty regarding an acquisition;

the challenges involved in combining product offerings and sales and marketing activities;

the possibility that we may be unsuccessful expanding into the markets currently served by RMI and in addressing the new opportunities we expect to arise out of the combination;

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the risks associated with the reliance of both NetLogic and RMI on a limited number of customers for a substantial portion of their respective revenues;

the difficulties we may experience in transitioning to smaller geometry process technologies or in achieving higher levels of design integration for RMI's semiconductor solutions;

the fact that RMI faces strong competition for its products; and

the fact that a significant portion of the customers, contract manufacturers and operations of the combined company will be located outside of the United States.

### **Recommendation of NetLogic's Board of Directors**

In addition to the factors described above, in making its determination, our board of directors also considered RMI's historical financial results as well as financial analyses and estimated operating results for the RMI business subsequent to the acquisition that were prepared by our management based upon their due diligence review of RMI's financial information, projected operation results and business. The financial analyses and estimated results prepared by our management principally included estimated non-GAAP income statements for 2009, 2010, 2011 and 2012, reflecting projected revenues for the years ended December 31, 2009, 2010, 2011

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and 2012 of \$75.2 million, \$100.4 million, \$129.1 million, and \$153.6 million, respectively; projected gross margin percentages reasonably comparable to our historical gross margins; and projected operating expenses, excluding stock-based compensation and the amortization of intangible assets and taking into account our management's estimation of cost reductions through economies of scale and the elimination of duplicative costs, of \$56.1 million, \$58.8 million, \$63.9 million, and \$74.2 million, respectively. The financial analyses prepared by management included estimated combined revenue and gross margin statistics for us and RMI post-acquisition incorporating our management's projections; a breakdown of RMI's capitalization and estimated liquidation preferences; a test set of valuation data using publicly available revenue and earnings multiples and gross market valuation information for us and Cavium Networks, Inc., a public company competitor of RMI; and a discounted cash flow valuation for RMI using management's rough estimate of RMI's long-term future cash flows and discount rates of 15% to 20%; all of which were presented in order to demonstrate that the proposed purchase price that management was negotiating was within a range of valuations using simple data points.

The financial analyses and operating results estimates prepared by our management were prepared from limited sources of information and can not be considered representative of actual future revenues and expenses attributable to the acquired business. The analyses and estimates were prepared for the purpose of providing our board of directors an indication of how the acquired business operations might look if viewed on a standalone basis in light of assumptions deemed reasonable when management prepared them. Subsequent to the acquisition, we intend to fully integrate the operations of RMI with our own, and results will be reported on a combined basis as a single business segment. We do not intend to provide disclosure of future operating results in the manner implied by the information prepared by management for use by our board of directors. The foregoing information contains forward-looking statements. Please refer to the disclosure and disclaimer regarding forward-looking statements contained elsewhere in this proxy statement under the heading CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS.

Our board of directors considered the financial analyses prepared by our management, along with the potential benefits and negative factors described above. In addition, our board considered management's reports on their due diligence review of RMI's products, technology, customer feedback, pending orders and backlog, and our management's analysis of the markets for RMI's products. As well, the members of our board of directors have substantial industry experience and they gave considerable weight to management's analysis of RMI's business because of the significant industry segment and customer overlap which enabled our management to conduct its own evaluation of RMI's products and potential business opportunities through our industry sources and customer contacts. Thus, our board of directors considered the potential for the RMI acquisition to provide a major expansion of our market opportunities, increase the scale of our operations and elevate our importance as a strategic supplier to our major customers to represent significant value in the transaction. However, due to the broad set of factors considered in connection with its evaluation of the merger and the complexity of these matters, our board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign any relative or specific weights to the factors that it considered in reaching its determination to approve the merger and the merger agreement. In particular, our board of directors did not attribute a special weight or significance to projections and financial analyses prepared by our management. In addition, individual members of our board of directors may have given differing weights to different factors.

After careful consideration of the overall benefits and risks presented by the proposed acquisition of RMI, our board of directors resolved unanimously that the transactions contemplated by the merger agreement are advisable, fair to and in the best interests of the stockholders of NetLogic and approved the merger agreement, the merger, the issuance of shares of our common stock in connection with the merger and the other transactions contemplated by the merger agreement. **The NetLogic board of directors recommends that the stockholders of NetLogic vote FOR approval of the issuance of shares of our common stock in connection with the merger.**

**Interests of NetLogic's Officers and Directors in the Merger**

Our directors and officers will receive no extra or special benefit that is not shared on a pro rata basis by all other holders of our common stock in connection with the merger.

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### **Interests of RMI's Officers and Directors in the Merger**

Some of RMI's officers have interests in the merger that are different from, or in addition to, the interests of NetLogic and RMI's stockholders generally. These officers include Behrooz Abdi, William Caraccio, Steven Geiser, Kai-Yeung (Sunny) Siu and Nazar Zaidi, and their interests in the merger are discussed below.

#### *CEO Incentive Compensation*

Behrooz Abdi, the chief executive officer of RMI, may be entitled to receive up to \$1 million of shares of our common stock otherwise payable to the RMI preferred stockholders as special incentive consideration if RMI achieves certain post-closing performance targets. Mr. Abdi will only receive this special incentive consideration if:

he remains employed by RMI during the 12-month earn-out measurement period;

the amount of revenue recognized by RMI during the 12-month period is greater than 75% of the revenue target for the earn-out; and

the total amount of merger consideration otherwise payable to the RMI preferred stockholders exceeds a specified amount that represents the minimum amount necessary to provide a return on investment to the RMI preferred stockholders.

If the amount of revenue recognized is greater than 75% of the revenue target and the other conditions are satisfied, Mr. Abdi will receive a nominal amount of special earn-out consideration equal to \$40,000 for each percentage point above 75%, up to a maximum amount of \$1 million. The special incentive consideration will be paid to Mr. Abdi in shares of our common stock valued based on the applicable closing price of our common stock (determined as described below in "The Merger Agreement - Merger Consideration").

#### *Acceleration of Vesting of RMI Options and Restricted Stock*

Each of the RMI officers listed above currently holds unvested options to purchase RMI common stock which are subject to monthly vesting contingent on the officer continuing to be employed by RMI. Additionally, Mr. Siu holds shares of restricted stock obtained upon the early exercise of his unvested options which are subject to monthly vesting contingent on his continued employment by RMI. Mr. Abdi holds RMI options that provide for accelerated vesting upon a change of control of RMI, referred to as "single trigger acceleration." Messrs. Caraccio, Geiser, Siu and Zaidi hold RMI options and/or restricted stock that provide for accelerated vesting upon termination without cause within six months or a year after a change in control of RMI, referred to as "double trigger acceleration." Because the merger will constitute a change in control of RMI, these officers would be eligible to receive the benefit of vesting acceleration either upon the change in control of RMI or upon termination as a result of the merger. The merger agreement provides that all outstanding shares of RMI common stock will be cancelled upon the merger, and that all options to purchase RMI common stock will be cancelled unless exercised prior to the merger. RMI has advised us that it intends to accelerate the vesting of options and restricted stock held by Messrs. Abdi, Caraccio, Siu and Zaidi that are subject to single trigger acceleration or double trigger acceleration immediately prior to the merger. However, a significant number of these officers' respective unvested options have per share exercise prices that are higher than the projected per-share merger consideration for RMI's common stock. Accordingly, these officers may elect not to exercise many of the options subject to accelerated vesting. In any event, the accelerated vesting will provide Mr. Siu with the ability to receive merger consideration (based on the applicable closing price used for determining merger consideration) for his unvested restricted stock.

#### *Employment and Severance Arrangements*

We anticipate entering into an employment agreement with each officer providing for at-will employment with us (or with RMI). Messrs. Abdi, Zaidi and Siu will be offered employment for no specific duration. Messrs. Caraccio and Geiser will be offered employment for a six-month transitional period. Each agreement will likely include a standard set of basic provisions such as benefits (confirming that each officer is eligible to participate in any employee benefits plans available to other employees at their level) and arbitration (mandating the submission of any matters in dispute to JAMS for final and binding arbitration). The employment





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agreements will also set forth the terms of each of the equity incentive awards that the officers would receive, as described in the paragraphs below, as well as the terms of any bonus program in which they are eligible to participate. We anticipate that the RMI officers will be eligible to participate in our 2010 bonus program under which, based on performance during the year, the officers may earn cash bonuses ranging from 25% of annual base salary for Messrs. Zaidi and Siu up to 75% of his annual base salary for Mr. Abdi.

We expect to offer each of the RMI officers listed below the position specified, with an annualized base salary in the amount shown.

<b>Name</b>	<b>Title</b>	<b>Salary</b>
Behrooz Abdi	Executive Vice President and General Manager	\$ 350,000
Nazar Zaidi	VP of Engineering, CPS	\$ 240,000
Sunny Siu	President and General Manager, APAC	\$ 195,000
L. William Caraccio	VP of Legal Affairs	\$ 300,000
Steven Geiser	VP of Finance	\$ 230,000

Messrs. Caraccio and Geiser have employment agreements with RMI that provide for six months of base salary as a severance benefit if these officers are terminated within a set period following a change in control of RMI. RMI will terminate the employment of Messrs. Caraccio and Geiser upon the closing triggering severance payments of \$150,000 to Mr. Caraccio and \$115,000 to Mr. Geiser. We will enter into new employment agreements with Messrs. Caraccio and Geiser for the a period of six months for the annualized respectively salaries identified above.

Mr. Abdi has an employment agreement with RMI that provides for one year of base salary as a severance benefit if he is terminated within a set period following a change in control of RMI. Mr. Abdi is expected to remain employed and enter into a new employment agreement with NetLogic, or RMI, after the merger. The new employment agreement will provide for one year of base salary and payment of health benefits for a period of time as a severance benefit if his employment is involuntarily terminated without cause. Additionally, following the involuntary termination without cause of his employment, the vesting of any outstanding stock options and restricted stock units held by Mr. Abdi will accelerate by up to two years. The new employment agreements for Messrs. Zaidi and Siu will also provide for acceleration by up to two years of the vesting of any outstanding stock options and restricted stock held by the employee, if his employment is involuntarily terminated without cause.

*Equity Incentives Retention and Transition Shares*

The merger agreement provides that we will reserve a number of shares of our common stock equal to \$18.65 million divided by the applicable closing price for issuance to specified RMI employees that continue to be employed by RMI, NetLogic or an affiliate of NetLogic on and after the merger, as described below under The Merger Agreement Retention, Transition and Future Incentive Awards. Approximately half of these shares reserved for this purpose, which we refer to as retention shares, will be issued as fully vested shares to those continuing RMI employees who are employed on the closing date. The remaining portion of these shares, which we refer to as transition shares, will be issued as restricted stock units subject to vesting over six months to one year from the closing date, contingent on continued employment by RMI. The vesting of the restricted stock units will accelerate if the continuing RMI employee is involuntarily terminated without cause before the one year anniversary of the closing date. Each of the RMI officers listed above will be offered employment with us and, as a result of their employment, is expected to receive a portion of the retention shares and transition shares.

The number of retention shares and transition shares (collectively) that each RMI officer is expected to receive is as follows: Mr. Abdi 114,613 shares; Mr. Caraccio 40,831 shares; Mr. Geiser 50,143 shares; Mr. Hass 38,682 shares; Mr. Longoria 5,372 shares; Mr. Siu 18,625 shares; and Mr. Zaidi 50,860 shares. These numbers were determined based on a presumed applicable closing price of \$34.90, which is the upper limit of the collar and would be the applicable closing price if the closing were to occur on the date of this proxy statement based on the recent closing prices of our common stock.

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### *Equity Incentives Future Incentive Awards*

The merger agreement provides for us to reserve a number of shares of our common stock for grants of restricted stock units and options to continuing RMI employees who are expected to be employed with us for a period greater than six months after the closing, as part of their compensation package for post-merger services (see The Merger Agreement Retention, Transition and Future Incentive Awards below). The post-merger equity awards to be provided to such continuing RMI employees will be individually determined by us, based on the post-merger positions and services to be provided by such continuing RMI employees. It is expected that most of the RMI officers listed above who continue to be employed by us will receive grants of restricted stock units and stock options shortly following the closing. The restricted stock units are expected to vest over a four-year period from the date of grant. We expect that all of the grants of options to the RMI officers will be subject to monthly vesting over a five-year period from the date of grant, with one-fifth of the issued options vesting on the one-year anniversary of the date of the grant.

The number of shares subject to restricted stock and option grants, respectively, that each RMI officer is expected to receive is as follows: Mr. Abdi 94,556 and 283,668 shares; Mr. Hass 28,653 and 85,960 shares; Mr. Longoria 12,607 and 37,822 shares; Mr. Siu 18,338 and 55,014 shares; and Mr. Zaidi 40,115 and 120,344 shares. These numbers were determined based on a presumed applicable closing price of \$34.90, which is the upper limit of the collar and would be the applicable closing price if the closing were to occur on the date of this proxy statement based on the recent closing prices of our common stock.

### *Indemnification Agreements*

Under the merger agreement, we have agreed to assume the indemnification obligations of RMI to its present and former directors and officers pursuant the terms of RMI's certificate of incorporation and bylaws and any indemnification agreements with these individuals in effect prior to the date of the merger agreement. The merger agreement also provides that, during the six-year period following the merger, we will maintain in effect the existing policy of directors and officers liability insurance maintained by RMI prior to the effective time on the terms set forth in the merger agreement.

### **Material Federal Income Tax Consequences of the Merger**

The parties intend for the merger to qualify as a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended, which is referred to in this proxy statement as the code, and not to result in the recognition of income, gain or loss to us. In any event, because our stockholders do not participate in the merger, our stockholders will not recognize gain or loss in connection with the merger.

### **Accounting Treatment**

The merger will be accounted for under the purchase method of accounting as a purchase of a business in accordance with Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations. Under the purchase method of accounting, the assets acquired and liabilities assumed from RMI as of the date of acquisition (i.e., the completion of the merger) will be recorded in our books at their respective fair values. Any excess of the purchase price over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed will be recorded as goodwill.

### **Federal Securities Law Consequences; Resale Restrictions**

The shares of our common stock to be issued in the merger to the holders of RMI preferred stock will be issued in a transaction exempt from the registration requirements under Section 5 of the Securities Act of 1933 pursuant to Section 4(2) and Rule 506 under Regulation D. Therefore, these shares of our common stock will be restricted securities and will not be registered under the Securities Act upon issuance and will not be freely

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transferable. RMI stockholders may not sell their shares of our common stock acquired in connection with the merger except pursuant to:

an effective registration statement under the Securities Act covering the resale of those shares; or

an exemption under the Securities Act.

Under Rule 144 of the Securities Act, RMI stockholders who are not affiliates of ours at the time of a proposed sales of our stock (and have not been affiliates for the prior 90 days) will be permitted to sell their stock without registration if they sell the stock for their own account after holding it for at least six months, provided that we have made available adequate current public information concerning NetLogic. If they have held their NetLogic common stock for a full year, they will be permitted to sell the stock for their own account without restrictions. RMI stockholders who are affiliates of ours (or who have been affiliates within 90 days prior to a proposed resale of their shares) will be permitted to sell their shares of our stock if they satisfy certain requirements of Rule 144, including with respect to volume limitations, manner of sale and the filing of a Form 144 with the SEC, and further provided that we have made available adequate current public information concerning NetLogic.

In addition, the terms of the merger agreement provide that all shares of our common stock issued as merger consideration will be subject to lock-up restrictions prohibiting sales or other liquidity transactions. One hundred percent of the shares of our common stock issued to a RMI stockholder as merger consideration will be subject to restrictions prohibiting sales or other liquidity transactions until the six month anniversary date of the closing date and 50% of the shares of our common stock issued to a RMI preferred stockholder will be subject to restrictions prohibiting sales or other liquidity transactions for an additional six months following such six month anniversary date.

Certain RMI stockholders have entered into standstill agreements with us pursuant to which such RMI stockholders agreed that during the period commencing on the closing date until the merger is completed or the merger agreement is terminated, such RMI stockholder and its related persons will not directly or indirectly:

purchase or otherwise acquire any shares of our common stock;

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, make any short sale or otherwise dispose of or transfer any shares of our common stock; or

enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any shares of our common stock, whether any such swap or transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise.

**No Appraisal or Dissenters Rights**

No stockholder of NetLogic will be entitled to exercise appraisal rights or to demand payment for their shares in connection with our acquisition of RMI.

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**THE MERGER AGREEMENT**

*The discussion in this proxy statement of the terms and conditions of the merger agreement is subject to and is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this proxy statement and is incorporated into this proxy statement by reference.*

**Merger Consideration**

*Overview*

The merger agreement provides for merger consideration consisting of the issuance of shares of our common stock to the holders of RMI preferred stock and the payment of cash to the holders of RMI common stock. A portion of the shares of our common stock issuable to the RMI preferred stockholders will be placed in escrow as a source of indemnity for future claims, and another portion of the shares of our common stock issuable to the RMI preferred stockholders will be placed in escrow as a source of payment for the expenses of the RMI stockholders representative. Merger consideration will be paid at the closing date of the acquisition and, subject to the attainment of earn-out objectives applicable to the acquired business during the 12-month period following the closing date, within 90 days after the first anniversary of the closing date.

The merger agreement specifies a series of calculations for determining the total number of shares we issue and the amount of cash we pay as merger consideration. First, the value of the merger consideration being paid to the RMI stockholders (whether at closing or as earn-out consideration) is calculated in reference to the corresponding nominal value specified in the merger agreement. Specifically, the nominal value is divided by the applicable closing price of our common stock, which quotient is then multiplied by the average closing price of our common stock. The average closing price of our common stock, as specified in the merger agreement, is measured over the 20-trading day period that ends on the third trading day prior to the closing date. The applicable closing price is the same as the average closing price, but if the average closing price is more than \$34.90, then the applicable closing price will be \$34.90, and if the average closing price is less than \$26.97, then the applicable closing price will be \$26.97. As a result, the calculated value of the merger consideration will be equal to its nominal value if the average closing price of our common stock 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, subject to relatively small differences, the effect of the collar is to cap the maximum number and the 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. The market value of the stock we issue, however, will not be similarly limited by the collar because the average closing price of our stock on the issue date could be higher or lower than the bounds of the collar. The size of the cash payment we make to the RMI common stockholders also will not be similarly limited by the collar because the amount of cash we pay will be equal to the calculated value of the consideration allocated to the common stock, as described below.

Once the calculated value of the merger consideration has been determined as described above, it is then allocated among the different series of RMI preferred stock and common stock according to formulas specified in the merger agreement. We will issue holders of each series of RMI preferred stock a number of shares of our common stock equal to the calculated value of the merger consideration allocated to that series, divided by the average closing price of our common stock. The preferred stockholders will therefore receive common stock with a market value roughly equal to the calculated value of the consideration allocated to them (assuming the market value of our stock on the issue date is roughly equal to the average closing price of our common stock). We will pay the holders of RMI common stock the calculated value of the merger consideration allocated to them in cash.

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### *Closing Payment*

The nominal value of the total merger consideration payable at closing is \$181.35 million. This amount includes a special allocation of additional merger consideration payable to the RMI common stockholders referred to as the applicable directed common consideration. The nominal value of the applicable directed common consideration is \$2.35 million, and its actual value is calculated in a similar fashion to the actual value of the total merger consideration paid at closing. The purpose of the applicable directed common consideration is to increase the aggregate amount of the merger consideration payable to the RMI common stockholders, relative to what they would have received pursuant to the terms of RMI's charter, as requested by RMI in order to enhance the value of the initial closing consideration payable to the holders of RMI common stock. Thus the portion of the merger consideration the RMI common stockholders will receive is larger than what they would have otherwise been entitled to receive under RMI's charter, and the portion of the merger consideration the RMI preferred stockholders will receive in the merger is smaller than what they would have otherwise been entitled to receive under RMI's charter. RMI's preferred stockholders agreed to waive the treatment of the merger as a liquidation event under RMI's charter to enable the reallocation of part of the merger consideration from RMI's preferred stockholders to RMI's common stockholders.

Holders of each series of RMI preferred stock will receive on the closing date a number of shares of our common stock equal to the calculated value of the closing merger consideration that is allocated to that series of preferred stock, divided by the average closing price of our common stock. One hundred percent of the shares of our common stock issued as merger consideration on 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.

Holders of RMI common stock will receive an amount of cash on the closing date equal to the amount of calculated value of the closing merger consideration that is allocated to the RMI common stock under the merger agreement. In addition, although it is not counted as part of the merger consideration payable to the RMI stockholders at closing, the holders of RMI common stock will receive at closing an additional \$2.0 million cash payment as advance earn-out credit. This \$2.0 million advance payment will later be deducted from any earn-out amount otherwise payable to the RMI common stockholders at the end of the earn-out period.

### *Earn-out Payment*

We may issue additional cash and shares of our common stock payable as earn-out consideration. The maximum nominal value of the earn-out consideration as specified in the merger agreement is \$70 million. The calculated value of the earn-out consideration paid to RMI stockholders will be determined, allocated and paid in the same manner and kind as the merger consideration payable on the closing date (using the average stock price and applicable stock price determined at the closing date and used to calculate the total amount of merger consideration payable at closing) but will be reduced by the \$2.0 million advance earn-out credit paid to the holders of RMI common stock on the closing date. The portion of the earn-out consideration payable to the holders of RMI preferred stock may be reduced by up to \$1.0 million for a special bonus payment to the chief executive officer of RMI as described above. Earn-out consideration, if any, will be paid within 90 days after the end of the 12-month earn-out measurement period.

The merger agreement provides a formula to determine the nominal amount of earn-out consideration payable to the former RMI stockholders at the end of the 12-month period, based on the amount of gross revenue recognized by the surviving corporation in relation to an agreed upon revenue target. If the amount of revenue recognized during the twelve-month period is less than or equal to 75% of the revenue target, no earn-out consideration will be paid. If the amount of revenue recognized is greater than 75% of the revenue target, the RMI stockholders will receive a nominal value of earn-out consideration that increases as the percentage gets closer to 100%, up to a maximum amount of \$70 million. Specifically, the formula provides that, if the calculated percentage is greater than 75%, then the nominal amount of earn-out consideration is equal to \$2.4 million for each percentage point above 75% and by an additional \$3.4 million for each percentage point above 90%. For

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example, if the amount of recognized revenue is 80% of the target, the nominal earn-out value would be \$12 million, i.e. 5.0 multiplied by \$2.4 million. If the amount of recognized revenue is 95% of the target, the nominal earn-out amount would be \$53 million, i.e. the sum of (a) 15.0 multiplied by \$2.4 million, plus (b) 5.0 multiplied by \$3.4 million. Because the amount of earn-out consideration paid in cash and shares of our common stock is determined in the same manner as the merger consideration payable at closing, the actual amount of cash paid and the number of shares to be issued will vary. However, as of the closing date, once we know the applicable closing price and the average closing price, we will know the maximum amount payable.

The revenue target for the earn-out period is from RMI management's financial plan as of April 2009, which included projections of RMI's revenues on a quarterly basis through the fourth quarter of 2010. The revenue target for the earn-out is equal to the sum of the monthly revenue targets for each of the twelve calendar months during the earn-out period, which begins on the first day of the first full calendar month following the closing date of the acquisition (each monthly revenue target represents one-third of the projected revenue amount for the quarter in which the month falls). If the acquisition is completed in October 2009, the revenue target would be \$122.7 million. Earn-out consideration would become payable once revenue equal to 75% of \$122.7 million, or \$92.0 million, is achieved during the earn-out period, at the rate of \$2.4 million for each percentage point above 75% and \$3.4 million for each percentage point about 90%.

In the event that we elect to divest, discontinue or make certain modifications to the RMI's business in a manner that would materially adversely impair RMI's ability to achieve the maximum earn-out amount, the merger agreement provides for us to pay the maximum earn-out amount as if it had been fully achieved.

### *Allocation of Merger Consideration Among the RMI Stockholders*

The amount of cash we pay and the number of shares of our common stock we issue as merger consideration depends not only on the calculated value of the merger consideration but also its allocation between the RMI preferred and common stockholders. Under the merger agreement, a series of calculations must be made to determine this allocation for the merger consideration payable at closing as well as the earn-out consideration, if any.

The merger agreement provides for the assignment of a reference value, referred to as the preference amount, to each series of RMI preferred stock and the common stock. The preference amount for each series of preferred (and for the common) is based on the number of shares of that series (or the common) outstanding on the closing date and the per share liquidation value provided for that series (or the common) in RMI's certificate of incorporation, as in effect on the date of the merger agreement. The liquidation values per share of the common, Series A Preferred, Series B-1 Preferred, Series B-2 Preferred, Series C Preferred and Series D Preferred are approximately \$0.10, \$1.18, \$.081, \$1.03, \$1.40 and \$1.58, respectively.

The merger agreement allocates the calculated value of the merger consideration payable at closing among the different series of preferred and the common stock of RMI based on their relative preference amounts. To the extent the calculated value of the merger consideration exceeds the sum of all the preference amounts, then each series of preferred (and the common) stock is allocated a portion of the excess based on the relative number of shares of that series of preferred (or common) stock outstanding, determined on a fully-diluted basis as of the closing date. The calculated value of the merger consideration for RMI common stockholders is then further increased by (1) the calculated value of the applicable directed common consideration and (2) the \$2.0 million earn-out advance payment, as described above.

### *Sample Calculations*

The following examples illustrate how different average closing prices of our common stock would affect the relative allocations of total merger consideration among the holders of RMI preferred stock and RMI common stock and the approximate total value of the merger consideration. The average closing prices used in

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these examples were chosen solely for the sake of providing a range of sample calculations. In each example, the amounts shown are estimates. For the sake of simplicity, escrow offsets are ignored, figures have been rounded and we have assumed that:

there will be no change in the number of outstanding shares of each class and series of RMI stock between May 31, 2009, the date of the merger agreement, and the closing date; and

all of the earn-out objectives will be achieved, such that the nominal value of the earn-out consideration is \$70.0 million.

Average Closing Price	Applicable Closing Price	Approximate Amount of Cash Payable to RMI Common Stockholders	Approximate Number of Shares Issuable to RMI Preferred Stockholders	Total Value of Merger Consideration
\$20.00	\$ 26.97	\$5.9 million, all of which is payable at closing	9,050,000 shares, of which 6,500,000 are issuable at closing and 2,550,000 are issuable at end of earn-out period	\$186.9 million
\$30.00	\$ 30.00	\$14.4 million, of which \$8.0 million is payable at closing and \$6.4 million is payable at end of earn-out period	7,900,000 shares, of which 5,850,000 are issuable at closing and 2,050,000 are issuable at end of earn-out period	\$251.4 million
\$40.00	\$ 34.90	\$21.6 million, of which \$9.1 million is payable at closing and \$12.5 million is payable at end of earn-out period	6,662,000 shares, of which 5,026,000 are issuable at closing and 1,636,000 are issuable at end of earn-out period	\$288.0 million
\$45.00	\$ 34.90	\$28.9 million, of which \$14.2 million is payable at closing and \$14.7 million is payable at end of earn-out period	6,560,000 shares, of which 4,940,000 are issuable at closing and 1,620,000 are issuable at end of earn-out period	\$324.1 million
\$50.00	\$ 34.90	\$36.0 million, of which \$19.7 million is payable at closing and \$16.3 million is payable at end of earn-out period	6,480,000 shares, of which 4,860,000 are issuable at closing and 1,620,000 are issuable at end of earn-out period	\$360.1 million

**Escrow**

Shares of our common stock with a value equal to 10.2% of the amount payable to the holders of RMI preferred stock at the closing will be held in escrow until the twelve-month anniversary of the closing date. These shares are intended to compensate us for losses, if any, that we may incur if RMI breaches any of the representations or warranties or covenants made by RMI in the merger agreement or for any other matters specifically set forth in the merger agreement as a matter to be indemnified. An additional number of shares of our common stock with a value equal to 0.3% of the amount payable to the holders of RMI preferred stock at the closing will also be held in escrow until the twelve-month anniversary of the closing date. These shares are intended to provide reimbursement to the stockholders representative for expenses. Collectively, these escrow shares will reduce by 10.5% of the number of the shares of our common stock otherwise issuable to holders of RMI preferred stock on the closing date. The escrow shares not subject to a claim by us or used to reimburse the RMI stockholders representative will be released on the twelve month anniversary of the closing date and distributed to the former holders of RMI preferred stock in proportion to their pro rata share of the escrow shares.

We and the RMI stockholders representative will enter into an escrow agreement with Wells Fargo Bank, N.A., as escrow agent, in connection with the escrow arrangements contemplated by the merger agreement.



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### **Retention, Transition and Future Incentive Awards**

The merger agreement includes covenants providing for us to make available a number of additional shares of our common stock for issuance to continuing RMI employees as equity incentives. Based on the terms that are specified in the merger agreement, these equity incentive awards fall into three categories, which we refer to as retention, transition and future incentive awards, respectively. We have agreed, in particular:

to issue fully vested shares of our common stock with a total value of \$8.65 million to specified RMI employees, including the officers of RMI identified under "The Merger Interest of RMI's Officers and Directors in the Merger" above, on the closing date;

to grant within 60 days after the closing date restricted stock units, or RSUs, to acquire a total of \$10 million of our common stock to specified employees of RMI who continue as RMI employees or become our 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 to acquire a total of \$45 million of our common stock to specified employees of RMI who continue as RMI employees or become our employees, subject to vesting and other terms to be determined by us.

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 dollar amounts specified above by the applicable closing price of our common stock, which will be determined as described above under "Merger Consideration." For purposes of calculating the number of shares issuable as future incentive awards in the third bullet-point above, an RSU to acquire one share of our common stock is equated with an option to purchase two shares of our common stock. Also, to determine the number of shares to be issued in each of the 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.

### **Options and Warrants**

We will not be assuming any outstanding stock options or warrants to purchase capital stock of RMI in the merger. All outstanding and unexercised warrants and options are to be terminated as of the closing date. RMI has also agreed to terminate its stock option plan prior to the closing.

RMI represented to us that, as of the date we entered into the merger agreement, there were options outstanding to purchase approximately 40 million shares of its common stock and warrants outstanding to purchase approximately 7.3 million shares of its capital stock (including both common and preferred stock). RMI has informed us that it intends to take the requisite action under its stock option plan, including providing the appropriate notices to its option holders, to cause all outstanding options to be cancelled automatically at closing, to the extent they have not been exercised. RMI has informed us that some of the outstanding warrants will terminate by their terms at closing, to the extent they have not been exercised. With respect to the remaining warrants, RMI has informed us that it intends to pay approximately \$500,000 in aggregate to the warrant holders in exchange for the cancellation of those warrants at or before the closing and the release of RMI and NetLogic from any related claims.

### **Transaction Expenses**

We will pay all fees, costs and expenses incurred by us or merger sub in connection with the merger agreement and the transactions contemplated therein whether or not the merger is consummated. If the merger is consummated, all reasonable fees, costs and expenses of RMI and the stockholders' representative incurred in connection with the merger will be treated as transaction expenses under the merger agreement and, to the extent not already paid by RMI, will be paid by us after the closing date. If the merger is not consummated, RMI will bear all of its own expenses in connection with the merger agreement and the transactions contemplated therein. Any fees related to antitrust filings shall be split by us and RMI.

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**Representations and Warranties**

RMI made representations and warranties to us and merger sub concerning the matters listed below, among others, subject in some cases to exceptions and qualifications set forth in a disclosure schedule to the merger agreement:

the due organization and good standing of RMI and its subsidiaries;

the respective capitalization of RMI and its subsidiaries, and the ownership of their respective capital stock;

the accuracy of the securityholder lists made available to us and the absence of any undisclosed agreements with or among RMI's securityholders;

the absence of any liens or other restrictions on the shares of RMI capital stock to be delivered to us upon consummation of the merger;

RMI's authority to enter into and perform the merger agreement and the related agreements;

the absence of any conflict with or violation of RMI's organizational documents, agreements with third parties, governmental permits or laws;

the absence of any required consents, approvals or filings with any governmental authorities, subject to specified exceptions;

the accuracy of RMI's financial statements and their preparation in accordance with generally accepted accounting principles, or GAAP;

the absence of certain significant events since March 31, 2009, including, among others, the declaration or payment of dividends, the adoption or amendment of any employee benefit plan, the modification of material terms of employment for any employee, and acquisitions or dispositions of property or capital expenditures above specified amounts;

RMI's and its subsidiaries' compliance with applicable tax laws;

RMI's title to its assets;

the accuracy and completeness of the disclosed list of material contracts;

the absence of material defaults under those contracts;

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the accuracy and completeness of RMI's disclosures regarding intellectual property;

the accuracy and completeness of the disclosed list of employee benefit plans, and RMI's compliance with certain laws regarding employee benefits, including the Employee Retirement Income Security Act of 1974 and Section 409A of the code;

the accuracy and completeness of RMI's disclosures regarding intellectual property;

the absence of any infringement by RMI of the intellectual property of third parties;

the accuracy and quality of RMI's accounts receivables;

the absence of any recent or threatened terminations of relationships with RMI by its suppliers;

the validity and effectiveness of RMI's insurance policies and the absence of any undisclosed claims under those policies;

the accuracy of the RMI's disclosures concerning its employees, and RMI's compliance with labor laws;

the absence of any undisclosed litigation or threatened claims against RMI;

RMI's and its subsidiaries' compliance with environmental laws;

RMI's and its subsidiaries' material compliance with all other applicable laws, including the U.S. Foreign Corrupt Practices Act;

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the vote of RMI's stockholders required to approve the merger;

the accuracy of the information to be provided by RMI to us for use in our filings with the SEC, including this proxy statement;

RMI's board of directors' determination that the merger is fair and in the best interests of the RMI Stockholders, and its recommendation to the RMI stockholders;

the absence of certain relationships and transactions with related parties;

the absence of any discussions with any third party regarding an acquisition of RMI; and

the accuracy and completeness of RMI's disclosures.

We and merger sub made representations and warranties to RMI concerning the following matters, among others:

the due organization and good standing of NetLogic and merger sub;

their respective authority to enter into and perform the merger agreement and the related agreements;

the absence of conflicts or violations with respect to organizational documents, certain material agreements, governmental permits or laws;

the absence of any required consents, approvals or filings with any governmental authorities, subject to specified exceptions;

the due authorization and valid issuance of the shares issuable to the RMI stockholders as merger consideration;

the exemption of the issuance from registration under federal securities laws;

the compliance of our SEC filings with applicable federal securities laws and regulations and the accuracy of the information contained in such filings;

the absence of any brokers or finders; and

the accuracy and completeness of their disclosures, including information provided for use in the information statement to be sent to RMI's stockholders.

**Conduct of Business Pending the Merger**

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From the date of the merger agreement until the earlier of the termination of the merger agreement or the effective time of the merger, RMI has agreed to, and agreed to cause each of its subsidiaries to, conduct their respective businesses in the ordinary course and in a manner consistent with past practice, and to use all reasonable efforts to maintain and preserve intact the business organization and the goodwill of RMI and its subsidiaries, and to preserve existing relationships with customers, suppliers, licensees and other third parties. RMI has also agreed not to take specific actions without our prior written consent, including, among others:

amend or otherwise change its organizational documents or the organizational documents of any of its subsidiaries;

issue, grant, sell, dispose of, or encumber or otherwise mortgage, pledge or subject to any lien, any capital stock or other securities of RMI or any of its subsidiaries, with certain exceptions;

sell, lease, dispose of, or encumber or otherwise mortgage, pledge or subject to any lien (including the grant of any exclusive license) any assets or properties of RMI or any of its subsidiaries, with certain exceptions;

incur, assume or guarantee any indebtedness for itself or any person, with certain exceptions;

declare any dividend or other distribution, split, combine, recapitalize or reclassify any of its capital stock;

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amend the terms or change the period of exercisability of any securities of RMI or any of its subsidiaries, or re-acquire any securities of RMI or any of its subsidiaries, with certain exceptions;

acquire any corporation, partnership or other business organization or division or business thereof;

make or commit to make any capital expenditures or purchase of fixed assets which are in excess of \$250,000 individually, or \$500,000 in the aggregate;

enter into, amend or waive any material contract other than in the ordinary course of business and consistent with past practices that involve total obligations of less than \$250,000, excluding product sales and inventory purchases;

fail to provide any notices, assurances or support required by any contract relating to any intellectual property in order to ensure that no condition under such contract occurs which could result in, or could increase the likelihood of, any transfer or loss by it of any material intellectual property;

materially modify its standard warranty terms for its products or any product warranties in any manner that is adverse to RMI or any of its subsidiaries;

enter into or amend any contract pursuant to which any other party is granted exclusive marketing or other exclusive rights of any time or scope with respect to any of its products or technology;

increase in any manner the compensation payable to any director, officer, consultant or employee, grant any severance or termination pay to, or terminate or amend any RMI employee plan, materially change the coverage or benefits available under any bonus, profit sharing, thrift, compensation, equity, pension, retirement, deferred compensation or other plan or agreement, with certain exceptions;

take any action to materially change accounting or tax reporting policies or procedures, with certain exceptions;

pay, discharge or satisfy any claims, liabilities or obligations in excess of \$250,000 other than in certain circumstances;

materially modify the payment terms or payment schedule of any receivables other than in the ordinary course of business consistent with past practices;

adopt a plan of complete or partial liquidation, dissolution or other similar transaction (other than the merger agreement with us);

revalue in any material respect any assets or properties with a value that exceeds \$250,000;

transfer to any person any rights to any intellectual property owned by RMI or any of its subsidiaries other than in the ordinary course of business consistent with past practices;

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enter into any contract, understanding or commitment with non-competition restrictions;

take any action which would adversely affect the ability of the parties to consummate the transactions contemplated by the merger agreement;

take any action that would make any of the representations or warranties of RMI or any of its subsidiaries contained in the merger agreement untrue or incorrect in any material respect or otherwise prevent RMI or any of its Subsidiaries from performing, or cause RMI or any of its Subsidiaries not to perform, its covenants thereunder; or

take, or agree in writing or otherwise to take, any of the actions described above.

We have also agreed not to take certain actions prior to the effective time of the merger without the prior written consent of RMI, including, among others:

issue, grant or sell more than \$50,000,000 of capital stock in one or more equity financings;

sell, lease or dispose of any of our or our subsidiaries' businesses, assets or properties in an aggregate amount in excess of \$25,000,000;

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acquire (by merger, consolidation or acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division or business thereof in exchange for consideration in excess of \$10,000,000;

adopt a plan of complete or partial liquidation, dissolution, merger, restructuring, reorganization or other similar transaction (other than the merger agreement with RMI);

take any action which would adversely affect the ability of the parties to consummate the transactions contemplated by the merger agreement or any of its subsidiaries from materially performing, or cause us or any of our subsidiaries not to materially perform, our covenants under the merger agreement; or

take, or agree in writing or otherwise to take, any of the actions described above.

### **No Solicitation**

RMI has agreed that, from and after the date of the merger agreement, it will not, and will not authorize, encourage or permit any officer, director, employee, stockholder, agent, representative or affiliate of RMI to, directly or indirectly:

solicit, initiate or knowingly encourage any inquiries or proposals that constitute, or be expected to lead to an acquisition proposal; or

engage in negotiations or discussions concerning, or provide any non-public information to any person or entity relating to any acquisition proposal.

The merger agreement prohibited RMI's board of directors from withdrawing, amending or modifying its approval or recommendation of the merger agreement or the merger at any time prior to obtaining the required stockholder approval, unless RMI's board of directors determined in good faith, after consultation with its outside legal counsel, that the failure to do so was reasonably likely to result in a breach of fiduciary duties to RMI stockholders under applicable law. Such stockholder approval was obtained by RMI on June 1, 2009.

### **Other Covenants**

The merger agreement contains customary covenants of the parties concerning confidentiality, reasonable access to information before closing, public disclosure of the transactions contemplated by the merger agreement, cooperation with respect to regulatory filings, and reasonable efforts to consummate the transactions contemplated by the merger agreement. The parties have further agreed to the following additional covenants, among others:

RMI agreed to terminate its 401(k) plan and other employee benefit plans prior to the closing;

we agreed to provide to employees of RMI and its subsidiaries who become our employees or remain employees of the surviving corporation employee benefits and compensation plans and programs that are no less favorable in the aggregate than those provided to our similarly situated employees;

RMI agreed to submit the merger agreement to its stockholders for approval and adoption by written consent promptly following the execution of the merger agreement, which consent was obtained on June 1, 2009;

we agreed to prepare and file a proxy statement with the SEC and to give notice of and convene a meeting of its stockholders;



we agreed to provide, during the six-year period following the consummation of the merger, all rights to indemnification existing on the closing date in favor of RMI's officers and directors, and to ensure that the surviving corporation fulfills its obligations to those officers and directors under RMI's certificate of incorporation and bylaws as in effect on the closing date; and

we agreed to prepare and file a registration statement on Form S-8 on or before the closing date with respect to all the shares of our common stock issuable as retention, transition and future incentive awards.

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### **Conditions to Consummation of the Merger**

#### *Conditions to Each Party's Obligations to Effect the Merger*

The respective obligations of each party to consummate the transactions contemplated by the merger agreement are subject to the satisfaction (or waiver) of each of the following conditions at or prior to the closing:

the merger agreement shall have been approved and adopted by the requisite vote of the stockholders of RMI, and our stockholders shall have approved the issuance of the shares of our common stock to be issued in connection with the merger;

all approvals, authorizations or clearances required under any applicable antitrust laws with respect to any antitrust filings shall have been obtained and all requirements under the antitrust laws shall have been satisfied; and

no temporary restraining order, preliminary or permanent injunction or other order or judgment preventing the consummation of the merger shall have been issued by any court of competent jurisdiction and remain in effect.

#### *Conditions to NetLogic's and Merger Sub's Obligations to Effect the Merger*

The obligations of NetLogic and merger sub to consummate the transactions contemplated by the merger agreement are subject to the satisfaction (or waiver) at or prior to the closing of the following additional conditions:

that the representations and warranties of RMI contained in the merger agreement be true, complete and correct on the date of the merger agreement and on and as of the effective time with the same force and effect as if made as of such date, with certain exceptions;

that RMI not have materially breached its covenants under the merger agreement required to be performed and complied with as of the effective time;

that all required consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any governmental authority have been obtained or made;

that no company material adverse effect has occurred since the date of the merger agreement which is defined under the merger agreement as a change that is materially adverse to RMI's financial condition, properties, assets, liabilities or business operations or that might materially impair the ability of RMI to consummate the merger, other than material adverse changes resulting from changes in (a) general economic conditions and conditions affecting RMI's industry that do not affect RMI disproportionately, (b) events caused by the execution, delivery or performance of the merger agreement or (c) adverse conditions or events expressly disclosed by RMI in a disclosure schedule to the merger agreement (none of which are believed by us or RMI to constitute a company material adverse effect absent this exception as of the date of this proxy statement);

that there be no threatened or pending action or proceeding before any court or governmental authority that would result in the merger being rescinded following consummation, that seeks to prohibit or impose any limitations on our ownership or operation of RMI's business or assets, that could be reasonably be expected to result in a company material adverse effect (as described in the preceding bullet point) or, in the case of an action brought by a governmental entity, that challenges or seeks to restrain or prohibit the consummation of the merger;

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that RMI have obtained the approval of the holders of at least 75% of its capital stock with respect to the merger agreement and transactions contemplated thereby, including the approval of the holders of at least 80% of RMI s preferred stock and the holders of at least a majority of RMI s common stock;

that holders of no more than 5% of RMI s preferred stock and 30% of RMI s common stock have exercised appraisal rights under Delaware law;

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that (a) each member of a specified group of key RMI employees, (b) at least three out of five other specified key RMI employees and (c) at least 75% of all other RMI employees to whom we or the surviving corporation have extended offers of employment shall have agreed to accept such offers of employment;

that we have received executed copies of certain closing certificates and other documents, including a complete and accurate preliminary schedule indicating the allocation of merger consideration payable at closing and the nominal earn-out consideration; and

that all outstanding options and warrants to purchase shares of RMI stock have been terminated and we have received reasonably satisfactory documentation evidencing such termination.

### *Conditions to RMI's Obligations to Effect the Merger*

The obligations of RMI to consummate the transactions contemplated by the merger agreement are subject to the satisfaction (or waiver) at or prior to the closing of the following additional conditions:

that the representations and warranties of NetLogic and merger sub contained in the merger agreement be true, complete and correct on the date of the merger agreement and on and as of the effective time with the same force and effect as if made as of such date, with certain exceptions;

that neither we nor merger sub have breached our covenants under the merger agreement that are required to be performed or complied with as of the effective time;

that no change have occurred since the date of the merger agreement that is materially adverse to our financial condition, properties, assets, liabilities or business operations or might materially impair our ability to consummate the merger, other than changes resulting from (a) general economic conditions and conditions affecting our industry that do not affect us disproportionately, (b) events caused by the execution, delivery or performance of the merger agreement and adverse conditions or (c) events expressly disclosed to RMI by us in a disclosure schedule to the merger agreement (any such change is referred to as a parent material adverse effect );

that there be no threatened or pending action or proceeding before any court or governmental authority that would result in the merger being rescinded following consummation, that seeks to prohibit or impose any limitations on our ownership or operation of RMI's business or assets, that could be reasonably be expected to result in a parent material adverse effect (as described in the preceding bullet point) or, in the case of an action brought by a governmental entity, that challenges or seeks to restrain or prohibit the consummation of the merger;

that the shares of our common stock to be issued in the merger be approved for listing on the Nasdaq Global Market or such exchange as our common stock may then be listed; and

that RMI have received a written opinion from its counsel Pillsbury Winthrop Shaw Pittman LLP, counsel to RMI, to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the code.

## **Termination**

The bases on which the merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time include the following:

by mutual written consent duly authorized by the boards of directors of NetLogic and RMI;

by either RMI or us if the merger shall not have been consummated by October 31, 2009, referred to as the end date, unless the action, or failure to act, of such party has been a principal cause of the failure of the merger to occur before the end date and constitutes a breach of the merger agreement;

by either RMI or us if a governmental authority shall have issued or enacted any legal requirement or taken any other action (including, without limitation, the failure to have taken an action), in any case

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having the effect of permanently restraining, enjoining or otherwise prohibiting the merger, which legal requirement is final and nonappealable, as applicable;

by RMI, (a) upon a breach of any representation, warranty, covenant or agreement set forth in the merger agreement by us or merger sub, or (b) if any representation or warranty of NetLogic or merger sub shall have become untrue, in either case such that the conditions set forth in the merger agreement would not be satisfied as of the time of the breach or as of the time such representation or warranty shall have become untrue; but if the inaccuracy in our or merger sub's representations and warranties or breach by us or merger sub is curable prior to the end date through the exercise of reasonable efforts, then RMI may not terminate the merger agreement sooner than 15 days following the receipt of written notice from RMI by us of the breach;

by us, (a) upon a breach of any representation, warranty, covenant or agreement set forth in the merger agreement by RMI or the stockholders' representative, or (b) if any representation or warranty of RMI shall have become untrue, in either case such that the conditions set forth in the merger agreement would not be satisfied as of the time of the breach or as of the time such representation or warranty shall have become untrue; but if the inaccuracy in RMI's representations and warranties or breach by RMI or the stockholders' representative is curable by RMI or the stockholders' representative prior to the end date through the exercise of reasonable efforts, then we may not terminate the merger agreement solely for the reasons set forth in this provision sooner than 15 days following the receipt of written notice from us by RMI of the breach;

by us, if a company material adverse effect (as described above in Conditions to Consummation of the Merger ) shall have occurred, or we first become aware of a company material adverse effect, after the date of the merger agreement; or

by RMI, if our board of directors fails to include our board of directors' recommendation to adopt and approve the matters set forth in this proxy statement or changes its recommendation.

## **Indemnification**

The merger agreement provides that any RMI preferred stockholder who accepts payment of the applicable portion of the merger consideration agrees that NetLogic, merger sub and our respective directors, officers, employees, agents and representatives shall have full recourse against, and be entitled to be compensated and reimbursed from, the escrow funds for any and all damages and losses arising from or relating to:

any fraud, misrepresentation or breach or failure of any representation or warranty made by RMI or the stockholders' representative in the merger agreement or in any officers certificate to be true and correct in all respects as of the date of the merger agreement and as of the closing date;

any post-closing claim for material breach or non-fulfillment of any covenant or agreement made or to be performed by RMI prior to the closing in the merger agreement or in any agreement or instrument entered into by RMI in connection with the merger agreement;

any inaccuracy in the allocation schedule delivered to us by the stockholders' representative setting forth the allocation of the merger consideration among the RMI stockholders; and

any indemnity payments to any person having acted or claiming to have acted as a broker, finder or financial advisor for any RMI stockholder, to the extent not otherwise included in the transaction expenses; and

the extent to which the costs of obtaining third party consents exceed an amount specified in the merger agreement;

specified third-party intellectual property claims (to the extent described below); and

any consideration paid by us or the surviving corporation with respect to excess dissenting shares, which are any dissenting shares in excess of 2.5% of the number of shares of RMI preferred stock and 15% of the number of shares of RMI common stock.

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Except in the case of fraud or intentional misrepresentation, or a breach of the representation regarding delivery of shares of RMI stock free and clear of any liens, our sole and exclusive remedy for indemnification claims is recourse against the shares our common stock deposited in escrow. In addition to the shares deposited in escrow at closing, we have a right, solely to the extent the aggregate amount of claims made against the escrow consideration during the escrow period exceeds the total amount of the escrow funds, to withhold from, and place into escrow, a portion of the earn-out consideration otherwise payable to the former RMI stockholders at the end of the 12-month earn-out period, up to a maximum of 10% of the earned amount, for any and all damages arising from or related to the matters in the first two bullet-points above. This earn-out set-off is deposited into the escrow and treated as escrow funds under the escrow agreement and the merger agreement.

The escrow shares are deemed to have a per share value equal to the applicable closing price for purposes of satisfying indemnification claims.

Indemnification is not available to us until the aggregate cumulative amount of all damages suffered by us and subject to indemnification claims under the merger agreement (other than damages relating to the specified intellectual property claims) exceeds \$500,000, in which event we may recover the entire amount of cumulative damages. Similarly, indemnification is not available to us for damages relating to the specified intellectual property claims unless and until the aggregate cumulative amount of all damages suffered by us arising out of those claims exceeds \$250,000, in which event we are entitled to recover 50% of the damages in excess of the \$250,000 deductible.

In order to bring a claim for indemnification under the merger agreement, we must deliver an officer's certificate to the RMI stockholders representative that describes the nature and amount of the claim. The stockholders' representative has 30 days after receipt of the officer's certificate to deliver a written objection to all or part of the officer's certificate. The written objection must include the basis of the objection and the amount in dispute. We then have 30 days to respond in a written statement to the objection. If any claims remain in dispute at the end of this 30-day period, the parties have agreed to attempt in good faith for 30 days to resolve the dispute. If no agreement is reached at the end of this 30-day period, either party may demand arbitration of the matter, which is to be conducted in accordance with the commercial rules of Judicial Arbitration & Mediation Services, or JAMS. The decision of the arbitrators as to the validity and amount of any claim shall be binding and conclusive upon the parties. The non-prevailing party pays the arbitration costs and fees of JAMS and the arbitration expenses of the prevailing party, other than attorneys' fees and costs.



**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION ON RMI**

The following table sets forth certain of RMI's consolidated financial data. The consolidated financial data as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 is derived from RMI's audited consolidated financial statements. The audited consolidated financial statements as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007 and 2006 are included elsewhere in this proxy statement. The selected balance sheet data as of December 31, 2006, 2005 and 2004 and selected statements of operations data for the years ended December 31, 2005 and 2004 are derived from our audited financial statements not included in this proxy statement. The consolidated financial information as of and for the six month periods ended June 30, 2009 and 2008 is derived from RMI's unaudited consolidated financial statements, which are included elsewhere in this proxy statement and which, in RMI's opinion, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of RMI's financial position and results of operations for such period. Interim results for the six months ended June 30, 2009 are not necessarily indicative of results for the remainder of the fiscal year or for any future period.

The selected historical financial data below should be read in conjunction with the consolidated financial statements and related notes and RMI Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein.

	Year Ended December 31,					Six Months Ended	
	2008	2007	2006	2005	2004	2009	2008
	(in thousands)						
<b>Consolidated Statements of Operations Data:</b>							
Revenue	\$ 78,946	\$ 64,345	\$ 30,053	\$ 13,295	\$ 12,495	\$ 35,314	\$ 41,217
Cost of revenue	31,806	33,654	22,180	8,034	8,621	13,477	16,877
Gross profit	47,140	30,691	7,873	5,261	3,874	21,837	24,340
Operating expenses:							
Research and development	38,875	34,195	26,134	23,815	29,908	17,364	19,480
In-process research and development			3,130				
Selling, general and administrative	25,551	18,957	12,330	9,880	7,355	13,798	12,074
Total operating expenses	64,426	53,152	41,594	33,695	37,263	31,162	31,554
Loss from operations	(17,286)	(22,461)	(33,721)	(28,434)	(33,389)	(9,325)	(7,214)
Interest expense	(1,940)	(1,937)	(1,354)	(2,138)	(1,288)	(679)	(1,106)
Other income (expense), net	57	855	904	776	224	(119)	127
Loss before income taxes	(19,169)	(23,543)	(34,171)	(29,796)	(34,453)	(10,123)	(8,193)
Provision for income taxes	103	222	94			560	72
Net loss before extraordinary item	(19,272)	(23,765)	(34,265)	(29,796)	(34,453)	(10,683)	(8,265)
Extraordinary gain on the resolution of acquisition price contingency		3,185					
Net loss	\$ (19,272)	\$ (20,580)	\$ (34,265)	\$ (29,796)	\$ (34,453)	\$ (10,683)	\$ (8,265)

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	2008	2007	December 31, 2006      2005		2004	June 30, 2009
			(in thousands)			
<b>Consolidated Balance Sheet Data:</b>						
Cash and cash equivalents	\$ 14,188	\$ 14,785	\$ 18,326	\$ 13,633	\$ 36,196	\$ 20,159
Working capital	13,731	11,685	12,132	5,590	33,099	20,092
Total assets	46,469	42,817	49,002	23,099	50,219	52,938
Line of credit	489	277				758
Contingent acquisition price liability			3,765	3,765	3,765	
Notes payable and intellectual property license obligation	6,336	10,580	8,861	13,607	12,838	18,794
Shareholders' equity	27,592	19,097	27,337	1,317	27,842	19,079

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION ON NETLOGIC**

The following table sets forth certain of our consolidated financial data. The consolidated financial data as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, is derived from our audited consolidated financial statements. The selected balance sheet data as of December 31, 2008 and 2007 and selected statements of operations data for the years ended December 31, 2008, 2007 and 2006 are derived from our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 incorporated by reference into this proxy statement. The selected balance sheet data as of December 31, 2006, 2005 and 2004 and selected statements of operations data for the years ended December 31, 2005 and 2004 are derived from our audited financial statements not included in this proxy statement. The consolidated financial information as of and for the six month periods ended June 30, 2009 and 2008 is derived from our unaudited consolidated financial statements, which are included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 incorporated by reference into this proxy statement and which, in our opinion, include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of our financial position and results of operations for such period. Interim results for the six months ended June 30, 2009 are not necessarily indicative of results for the remainder of the fiscal year or for any future period.

The selected historical financial data below should be read in conjunction with the consolidated financial statements for those periods and their accompanying notes.

	2008	Year Ended December 31,			2004	Six Months Ended	
		2007	2006	2005		2009	June 30, 2008
		(in thousands, except per share data)					
<b>Consolidated Statements of Operations Data:</b>							
Revenue	\$ 139,927	\$ 109,033	\$ 96,806	\$ 81,759	\$ 47,833	\$ 62,851	\$ 70,723
Cost of revenue	61,616	44,732	36,762	33,415	26,664	27,531	31,365
Gross profit	78,311	64,301	60,044	48,344	21,169	35,320	39,358
Operating expenses:							
Research and development	51,607	45,175	36,578	21,939	19,425	26,334	24,563
In-process research and development		1,610	10,700				
Selling, general and administrative	26,567	19,672	15,455	10,936	9,932	14,172	12,709
Acquisition-related costs						1,335	
Total operating expenses	78,174	66,457	62,733	32,875	29,357	41,841	37,272
Income (loss) from operations	137	(2,156)	(2,689)	15,469	(8,188)	(6,521)	2,086
Interest income	1,595	4,431	3,737	1,568	382	443	839
Interest expense				(203)	(4,076)		
Other income (expense), net	(92)	32	3	(16)	(149)	(24)	(94)
Income (loss) before income taxes	1,640	2,307	1,051	16,818	(12,031)	(6,102)	2,831
Provision for (benefit from) income taxes	(1,937)	(288)	459	379		(29)	(628)
Net income (loss)	\$ 3,577	\$ 2,595	\$ 592	\$ 16,439	\$ (12,031)	\$ (6,073)	\$ 3,459
Net income (loss) per share - basic	\$ 0.17	\$ 0.13	\$ 0.03	\$ 0.93	\$ (1.17)	\$ (0.28)	\$ 0.16
Net income (loss) per share - diluted	\$ 0.16	\$ 0.12	\$ 0.03	\$ 0.87	\$ (1.17)	\$ (0.28)	\$ 0.16
Shares used in calculation - basic	21,472	20,747	19,758	17,725	10,318	21,883	21,277
Shares used in calculation - diluted	22,314	21,938	21,107	18,992	10,318	21,883	22,214



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	2008	2007	December 31, 2006	2005	2004	June 30, 2009
	(in thousands)					
<b>Consolidated Balance Sheet Data:</b>						
Cash and cash equivalents and short-term investments	\$ 96,541	\$ 50,689	\$ 89,879	\$ 65,788	\$ 41,411	\$ 88,263
Working capital	87,853	63,956	95,986	65,162	45,283	88,961
Total assets	245,771	203,151	157,769	85,529	59,454	246,345
Software licenses and other obligations	1,219	2,528	2,625	687	1,317	4,570
Stockholders' equity	200,267	171,888	142,524	68,656	48,102	208,756

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined consolidated financial statements are based on the historical financial statements of NetLogic and RMI after giving effect to the agreement for our merger with RMI, and the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined balance sheet as of June 30, 2009 is presented as if the merger with RMI had occurred on June 30, 2009. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2009, and year ended December 31, 2008, are presented as if the RMI merger had occurred on January 1, 2008 with recurring merger-related adjustments reflected in each of the periods.

Determination of the RMI purchase price and allocations of the RMI purchase price used in the unaudited pro forma condensed combined finan