MEMSIC Inc
Form DEFM14A
August 06, 2013

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

MEMSIC, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.

ý 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:

MEMSIC, Inc. common stock, par value $0.00001 per share (the "Common Stock"); restricted stock units with respect to the Common Stock;

restricted stock awards with respect to the Common Stock; and options to purchase shares of Common Stock

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

(a) 18,884,885 shares of Common Stock proposed to be acquired in the merger for the per-share merger consideration of $4.225, (b) 551,667 restricted stock units with respect to the Common Stock outstanding, entitled to receive the per share merger consideration of $4.225, (c) 52,500 restricted stock awards with respect to the Common Stock outstanding, entitled to receive the per share merger consideration of $4.225, and (d) 1,507,475 shares of Common Stock issuable pursuant to outstanding stock options, with exercise prices below the per share merger consideration of $4.225.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The proposed maximum aggregate value of the transaction, for purposes only of calculating the filing fee, is $84,497,176, which is the sum of (a) the product of (i) the 18,884,885 shares of Common Stock that are proposed to be converted into the right to receive the merger consideration, multiplied by (ii) the merger consideration of $4.225 per share of Common Stock, plus (b) the product of (i) the 551,667 restricted stock units, multiplied by (ii) the merger consideration of $4.225 per share of Common Stock, plus (c) the product of (i) the 52,500 restricted stock awards, multiplied by (ii) the merger consideration of $4.225 per share of Common Stock, plus (d) the product of (i) the 1,507,475 shares of Common Stock underlying options to purchase such shares at a per-share exercise price of less than $4.225, multiplied by (ii) the amount by which the per-share merger consideration exceeds the $2.648 per share weighted average exercise price of such options. The filing fee equals the proposed maximum aggregate value of the transaction multiplied by 0.0001364.

(4) Proposed maximum aggregate value of transaction:

$84,497,176

(5) Total fee paid:

$11,525.41

ý Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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* Pursuant to the Agreement and Plan of Merger, dated as of April 22, 2013, by and among MEMSIC, Inc. (hereinafter referred to as the "Company"), MZ Investment Holdings Limited ("Parent") and MZ Investment Holdings Merger Sub Limited, a Delaware corporation wholly owned by Parent ("Merger Sub"), Merger Sub will merge with and into the Company (the "merger"), with the Company surviving the merger as a wholly owned subsidiary of Parent. At the effective time of the merger, the shares of Common Stock held by the Company as treasury stock, directly or indirectly by Parent or Merger Sub (including any Common Stock contributed to Parent prior to the effective time of the merger pursuant to the terms of a contribution agreement among Parent and certain stockholders), or by any wholly owned Company subsidiary (collectively, the "Cancelled Shares") will be cancelled and retired, and no consideration shall be delivered with respect thereto. The aggregate number of securities to which the transaction applies excludes the anticipated number of Cancelled Shares.

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MEMSIC, INC.

One Tech Drive
Suite 325
Andover, Massachusetts 01810
Telephone: (978) 738-0900

August 6, 2013

To the Stockholders of MEMSIC, Inc.:

You are cordially invited to attend a special meeting of the stockholders of MEMSIC, Inc., a Delaware corporation ("MEMSIC," the "Company," "we," "our" or "us") which we will hold at the offices of Foley Hoag LLP located at Seaport West, 155 Seaport Boulevard, Boston, Massachusetts 02210 on September 16, 2013, at 10:00 a.m., local time.

At the special meeting, holders of our common stock, par value $0.00001 per share (the "Common Stock") will be asked to consider and vote on a proposal to adopt an Agreement and Plan of Merger, dated as of April 22, 2013 (as it may be amended from time to time, the "Merger Agreement"), by and among MEMSIC, MZ Investment Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands ("Parent"), and MZ Investment Holdings Merger Sub Limited, a Delaware corporation and wholly owned subsidiary of Parent ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company (the "merger"), and each share of Common Stock outstanding at the effective time of the merger (other than certain excluded shares and shares for which appraisal rights have been exercised, as described below) will be cancelled and converted into the right to receive $4.225 per share in cash (the "merger consideration"), without interest, and less any applicable withholding taxes. Only stockholders who hold their shares of Common Stock at the close of business on August 6, 2013 will be entitled to vote at the special meeting.

Parent and Merger Sub are affiliates of IDG-Accel China Capital II L.P. ("Sponsor"). The Sponsor has agreed to purchase (or cause to be purchased) up to $86.3 million of Parent's equity shares, which Parent has agreed to use to fund the acquisition of MEMSIC and pay other expenses incurred pursuant to the Merger Agreement. Prior to the consummation of the merger, certain investment funds affiliated with Sponsor (the "IDG Funds") and sixteen executive officers and employees of MEMSIC (together with the IDG Funds, the "Rollover Holders") will contribute to Parent a combination of cash and Common Stock, in exchange for equity shares of Parent. If the merger is completed, the following shares of Common Stock will not be entitled to the merger consideration, and will be cancelled and retired with no merger consideration paid with respect thereto: (i) shares held, whether directly or indirectly, by Merger Sub or Parent (including any Common Stock held by the Rollover Holders and contributed to Parent prior to the merger); (ii) shares held by the Company as treasury stock or otherwise held, whether directly or indirectly, by any Company subsidiary; and (iii) shares held by any of the Company's stockholders who are entitled to and properly perfect their appraisal rights under Delaware law. Additional information regarding the exercise of appraisal rights is included in the enclosed proxy statement.

On November 10, 2012, the Company received an unsolicited acquisition proposal from IDG-Accel China Growth Fund II L.P. ("IDG-Accel Growth II"), which is one of the IDG Funds, and a stockholder of MEMSIC. In the proposal, IDG-Accel Growth II, on behalf of itself and certain of its affiliated funds and their nominee entities, proposed to acquire all of the Common Stock that those entities did not already own. The Company's board of directors (the "Board") formed a committee consisting solely of its three independent and disinterested directors, Roger W. Blethen, Dr. Lawrence A. Kaufman and Michael Tung (the "Special Committee") to evaluate the proposal. The Special Committee considered this proposal and other alternatives available to the Company. In their evaluation of the merger and the Merger Agreement, the Special Committee and the Board considered, among other factors, the opinion of RBC Capital Markets, LLC, the financial advisor to the Special Committee, that, as of April 22, 2013, and based on and subject to the assumptions, limitations and qualifications set forth in the opinion, the per share merger consideration to be received by holders of our Common Stock (other than the Rollover

Holders) entitled to receive the per share merger consideration is fair, from a financial point of view, to those stockholders. The RBC Capital Markets fairness opinion is attached as Annex B to the enclosed proxy statement.

Based upon the unanimous recommendation of the Special Committee, the Board, with Dr. Yang Zhao (our President and Chief Executive Officer, and also a Rollover Holder) and Dr. Quan Zhou (a director of the general partner of IDG-Accel Growth II) abstaining due to their respective interests in the merger, unanimously: (i) determined that the merger, on the terms and subject to the conditions set forth in the Merger Agreement, is fair to and in the best interest of the Company and its stockholders; (ii) approved and declared advisable the merger, the Merger Agreement and the transactions contemplated by the Merger Agreement; and (iii) resolved to recommend that the Company's stockholders adopt the Merger Agreement. Accordingly, the Board (with Drs. Zhao and Zhou abstaining) unanimously recommends that Company stockholders vote for "FOR" the proposal to adopt the Merger Agreement.

On April 22, 2013, MEMSIC, Parent, the IDG Funds and certain other Rollover Holders entered into a voting agreement whereby the IDG Funds and such Rollover Holders committed to vote the shares of Common Stock over which they exercise voting control in favor of the approval of the merger and the adoption of the Merger Agreement. The IDG Funds and the other Rollover Holders party to the voting agreement beneficially own shares of Common Stock representing approximately 22.6% of the total voting power of the Common Stock. ***Under Delaware law and the Merger Agreement, consummation of the merger is conditioned upon approval of the proposal to adopt the Merger Agreement by the affirmative vote of stockholders representing at least a majority of the issued and outstanding Common Stock. Thus, your vote is important regardless of the number of shares you own. Your failure to vote will have the same effect as a vote against the Merger Agreement.*** At the special meeting you also will be asked to consider and vote on: (i) a proposal to approve, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of the Company in connection with the merger; and (ii) a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement. ***The Board (with Drs. Zhao and Zhou abstaining) unanimously recommends that Company stockholders vote "FOR" each of these proposals.***

The enclosed proxy statement describes the Merger Agreement, the merger and related agreements and provides specific information concerning the special meeting. We urge you to read the entire proxy statement carefully, including the appendices, as well as the related Schedule 13E-3 Transaction Statement, as amended, filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, including its exhibits. These documents set forth the details of the Merger Agreement and other important information related to the merger.

While stockholders may exercise their right to vote their shares in person, we recognize that many stockholders may not be able to, or do not desire to, attend the special meeting. Accordingly, we have enclosed a proxy card that will enable your shares to be voted on the matters to be considered at the special meeting, even if you are unable to attend. If you desire your shares to be voted in accordance with the Board's recommendation, you need only sign, date and return the proxy card in the enclosed postage-paid envelope. Otherwise, please mark the proxy card to indicate your voting instructions; date and sign the proxy card; and return it in the enclosed postage-paid envelope.

Submitting a proxy card will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you have any questions

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or require assistance in voting your shares, please call AST Phoenix Advisors, our proxy solicitor for the special meeting, toll-free at (877) 478-5038.

Sincerely,

Roger W. Blethen
Chairman of the Special Committee

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated August 6, 2013 and is first being mailed to stockholders on or about August 9, 2013.

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MEMSIC, INC.

One Tech Drive
Suite 325
Andover, Massachusetts 01810
Telephone: (978) 738-0900

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of MEMSIC, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of MEMSIC, Inc. (the "Company") will be held at the offices of Foley Hoag LLP located at Seaport West, 155 Seaport Boulevard, Boston, Massachusetts 02210 on September 16, 2013, at 10:00 a.m., local time, for the following purposes:

1. to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of April 22, 2013 (as it may be amended from time to time, the "Merger Agreement"), by and among the Company, MZ Investment Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands ("Parent"), and MZ Investment Holdings Merger Sub Limited, a Delaware corporation and wholly owned subsidiary of Parent;

2. to approve, on an advisory (non-binding) basis, certain compensation that may become payable to the named executive officers of the Company in connection with the merger;

3. to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement; and

4. to act upon such other business as may properly come before the special meeting or any adjournment or postponement thereof.

The holders of record of our common stock, par value $0.00001 per share ("Common Stock"), at the close of business on August 6, 2013, are entitled to notice of and to vote at the special meeting or at any adjournment thereof. All stockholders of record are cordially invited to attend the special meeting in person.

The merger and the Merger Agreement are described in the accompanying proxy statement, which you should read in its entirety before voting. A copy of the Merger Agreement is attached as Annex A to the proxy statement. Company stockholders may be entitled to assert appraisal rights under Section 262 of the Delaware General Corporation Law. See the enclosed proxy statement, which includes as Annex C a copy of Section 262 of the Delaware General Corporation Law, for more information.

Your vote is important, regardless of the number of shares of Common Stock you own. The adoption of the Merger Agreement by the affirmative vote of holders of a majority of the outstanding shares of Common Stock is a condition to the consummation of the merger. The advisory (non-binding) proposal to approve specified compensation that may become payable to the named executive officers of the Company in connection with the merger, and the proposal to adjourn the special meeting to solicit additional proxies, if necessary, require the affirmative vote of holders of a majority of the voting power present and entitled to vote thereon. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the Merger Agreement, in favor of the advisory (non-binding) proposal to approve certain compensation that may become payable to the named executive officers of the Company in connection with the merger, and in favor of the proposal to adjourn the special meeting to solicit additional proxies, if necessary or appropriate. Your failure to vote or submit your proxy will have the same effect as a vote against the adoption of the Merger Agreement, and will not

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be counted for purposes of determining whether a quorum is present at the special meeting (in order for any matter to be considered at the special meeting, a quorum, consisting of the holders of a majority of the voting power of the shares of the Common Stock outstanding and entitled to vote on such matters as of the record date, must be present in person or by proxy). Failure to vote or submit your proxy will not affect the advisory vote to approve certain compensation that may become payable to the named executive officers of the Company in connection with the merger or the vote regarding the adjournment of the special meeting to solicit additional proxies, if necessary or appropriate.

Your proxy may be revoked at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement. If you are a stockholder of record, attend the special meeting and wish to vote in person, you may revoke your proxy by attending the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Robert L. Birnbaum
Secretary

Dated August 6, 2013
Andover, Massachusetts

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SUMMARY TERM SHEET

You are being asked to consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of April 22, 2013, by and among MEMSIC, Inc., MZ Investment Holdings Limited ("Parent") and MZ Investment Holdings Merger Sub Limited, a Delaware corporation wholly owned by Parent ("Merger Sub"). This agreement, as amended from time to time, is referred to in this proxy statement as the "Merger Agreement," and is attached to this proxy statement as Annex A. The Merger Agreement provides for the merger of Merger Sub with and into MEMSIC, with MEMSIC as the surviving corporation (the "merger"). Immediately following the merger, Parent will own all of the outstanding capital stock of MEMSIC. Our board of directors (the "Board") has determined that the Merger Agreement is advisable and in the best interests of our company and our stockholders, unanimously approved the merger in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), and unanimously recommended that our stockholders vote in favor of adoption of the Merger Agreement. This Summary Term Sheet briefly describes the most material terms of the proposed merger, the Merger Agreement and the other agreements entered into in connection with the merger, and may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement, including its annexes, which constitute part of this proxy statement. The items in this Summary Term Sheet include page references directing you to a more complete description of that topic in this proxy statement.

The Parties to the Merger Agreement (Page 84)

MEMSIC, Inc.

MEMSIC, Inc., which we refer to as "our company," "we," "our," "us," or, as the surviving corporation in the merger, the "Surviving Corporation," is a Delaware corporation incorporated in February 1999. We are headquartered in Andover, Massachusetts, and provide advanced semiconductor sensor and integrated sensing system solutions based on micro electromechanical systems, or "MEMS," technology and mixed signal circuit design. Our products include accelerometers, magnetic sensors and electronic compass solutions, integrated high performance inertial measurement units for industrial and avionics applications, MEMS flow sensing systems, and wireless sensing network systems. See "*Important Information Regarding MEMSIC Company Background*" beginning on page 114 of this proxy statement. See also "*The Parties to the Merger MEMSIC, Inc.*" on page 84 of this proxy statement.

Additional information about us can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, attached as Annexes D and E, respectively, each of which is included with these proxy materials and constitutes part of this proxy statement. See "*Where You Can Find Additional Information*" on page 130 of this proxy statement.

MZ Investment Holdings Limited

MZ Investment Holdings Limited, referred to as "Parent," is a newly formed exempted company with limited liability incorporated under the laws of the Cayman Islands. Parent is an affiliate of IDG-Accel China Capital II L.P., a limited partnership organized under the laws of the Cayman Islands and referred to as "Sponsor," and of the IDG Funds (as such term is defined below; for additional information, see "*Important Information Regarding Parent, Merger Sub, IDG, and the Individual Rollover Holders Parent, Merger Sub and the IDG Filing Persons*"). Parent has not engaged in any business other than in connection with the merger and related transactions. See *"The Parties to the Merger MZ Investment Holdings Limited and MZ Investment Holdings Merger Sub Limited*" on page 84 of this proxy statement.

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MZ Investment Holdings Merger Sub Limited

MZ Investment Holdings Merger Sub Limited, referred to as "Merger Sub," is a newly formed Delaware corporation. Merger Sub is a wholly owned subsidiary of Parent and was formed solely for the purpose of engaging in the merger and related transactions. Merger Sub has not engaged in any business other than in connection with the merger and related transactions. See *"The Parties to the Merger MZ Investment Holdings Limited and MZ Investment Holdings Merger Sub Limited*" on page 84 of this proxy statement.

The Purpose of the Special Meeting (Page 85)

As holders of our common stock, par value $0.00001 per share, which we refer to as the "Common Stock," you will be asked to consider and vote upon the proposal to adopt the Merger Agreement (a copy of which is attached to this proxy statement as Annex A), which we refer to as the "Merger Proposal." The Merger Agreement provides that, at the closing, Merger Sub will be merged with and into our company, and each outstanding share of Common Stock (other than shares held by: (i) our company as treasury stock; (ii) Parent or Merger Sub, whether directly or indirectly; (iii) any of our subsidiaries; or (iv) stockholders who have properly exercised and perfected and not withdrawn or lost their appraisal rights under Delaware law), will be cancelled and converted into the right to receive $4.225 per share in cash (the "merger consideration"), without interest and less any applicable withholding taxes.

Upon the effectiveness of the merger, we will become a privately held company, wholly owned by Parent. Parent will be owned by entities and individuals which will consist of:

- the Sponsor, which has agreed to provide up to $86.3 million in cash consideration in exchange for equity shares of Parent, to aid Parent's financing of the merger and related expenses;

- IDG-Accel China Growth Fund II L.P., IDG-Accel China Investors II L.P., IDG Technology Venture Investments, L.P., IDG Technology Venture Investments, LLC, and IDG Technology Venture Investment III, L.P. (collectively, the "IDG Funds," and together with Sponsor, "IDG"), which beneficially own 4,725,223 shares of Common Stock, and intend to roll over these shares in exchange for equity shares of Parent; and

- sixteen of our executive officers and employees, including, among others, Dr. Yang Zhao, our President and Chief Executive Officer, Dr. Paul Zavracky, our President of North American and European Operations, and Ms. Patricia Niu, our Chief Financial Officer (such officers and employees, together with IDG, the "Rollover Holders"), who collectively have beneficial ownership of 683,550 shares of Common Stock, and who will acquire equity shares of Parent in exchange for cash consideration and/or contributions of Common Stock beneficially owned by them.

The Special Meeting (Page 85)

The special meeting will be held at the offices of Foley Hoag LLP located at Seaport West, 155 Seaport Boulevard, Boston, Massachusetts 02210 on September 16, 2013, at 10:00 a.m., local time.

Record Date and Quorum (Page 86)

The holders of record of the Common Stock as of the close of business on August 6, 2013 (the "record date"), are entitled to receive notice of and to vote at the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the record date will constitute a quorum, permitting us to conduct our proposed business at the special meeting.

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Required Vote for the Merger (Page 86)

To adopt the Merger Agreement, under Delaware law and under the Merger Agreement, the holders of a majority of the voting power of our outstanding Common Stock at the close of business on the record date must vote "FOR" the Merger Proposal. A failure to vote your shares of Common Stock or an abstention from voting will have the same effect as a vote against the merger.

On April 22, 2013, we entered into a voting agreement with Parent, the IDG Funds and certain other Rollover Holders (which we refer to as the "Voting Agreement") pursuant to which, and subject to certain exceptions, the IDG Funds and those Rollover Holders party to the Voting Agreement committed to vote the shares of Common Stock over which they exercise voting control in favor of the Merger Proposal, against certain Competing Transactions (as such term is defined in the Merger Agreement and described under "*The Merger Agreement Other Covenants and Agreements*"), and against any action, agreement or transaction that could reasonably be expected to materially impede, frustrate, interfere with, delay, postpone, adversely affect or prevent the consummation of the merger or the other transactions contemplated by the Merger Agreement. See "*Agreements Involving Common Stock Voting Agreement*" on page 112 of this proxy statement.

As of May 10, 2013, there were 24,296,504 shares of Common Stock outstanding. The IDG Funds own, in the aggregate, 4,725,223 shares of Common Stock, representing approximately 19.4% of our outstanding voting power. As of August 6, 2013, the filing date of this proxy statement, the Rollover Holders party to the Voting Agreement (including the IDG Funds) own, in the aggregate, 5,486,982 shares of Common Stock, representing approximately 22.6% of our outstanding voting power.

Conditions to the Merger (Page 108)

Each party's obligation to complete the merger is subject to the satisfaction of the following conditions:

- approval of the Merger Proposal by the affirmative vote of stockholders representing at least a majority of our issued and outstanding shares of Common Stock, in accordance with the DGCL;

- no governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order (whether in effect, pending, proposed or threatened) that has or would have the effect of making the merger illegal or otherwise prohibiting the merger's consummation (an "injunction") in the United States, the People's Republic of China (the "PRC"), or any other jurisdiction where such an injunction would reasonably be expected to have a Company Material Adverse Effect (as such term is defined in the Merger Agreement, and described in this proxy statement in "*The Merger Agreement Representations and Warranties,*" beginning on page 93); and

- procurement of all relevant regulatory approvals, except where a failure to obtain such approval(s) would not result in a Company Material Adverse Effect or prevent the consummation of the Merger.

Our obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of Parent and Merger Sub in the Merger Agreement relating to: (i) their authority relative to the Merger Agreement; (ii) the sufficiency of their financing to pay the aggregate merger consideration and other fees and expenses; (iii) the availability of their financing at the consummation of the merger; and (iv) the net worth and capitalization of the Surviving Corporation, must be true and correct both when made and at the closing date of the merger;

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- all remaining representations and warranties of Parent and Merger Sub in the Merger Agreement must be true and correct both when made and as of the closing date of the merger, except with respect to certain representations and warranties made as of a specified date, and to the extent any failures of these representations and warranties to be true and correct, individually or in the aggregate, would not be reasonably expected to prevent the consummation of the merger or any other transactions set forth in the Merger Agreement;

- Parent and Merger Sub must have performed or complied, in all material respects, with all agreements and covenants that they are required to perform or comply with under the Merger Agreement prior to the closing date of the merger; and

- Parent must have delivered to us an executed officer's certificate stating that the conditions set forth above have been satisfied.

The respective obligations of Parent and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions:

- our representations and warranties in the Merger Agreement relating to: (i) the approval of the Merger Agreement by our Board and the Special Committee (as such term is defined below); (ii) our corporate authority relative to the Merger Agreement; and (iii) the inapplicability of any anti-takeover measures to the merger, must be true and correct in all respects both when made and as of the closing date of the merger (except with respect to certain representations and warranties made as of a specified date);

- our representations and warranties in the Merger Agreement relating to our capitalization must be true and correct in all material respects both when made and as of the closing date of the merger (except with respect to certain representations and warranties made as of a specified date);

- all of our remaining representations and warranties in the Merger Agreement must be true and correct both when made and as of the closing date of the merger, except with respect to certain representations and warranties made as of a specified date, and to the extent any failures of these representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect;

- we must have performed or complied, in all material respects, with all agreements and covenants that we are required to perform or comply with under the Merger Agreement prior to the effective time of the merger;

- we must have delivered to Parent an executed officer's certificate stating that the conditions set forth above have been satisfied; and

- since the date of the Merger Agreement, there must have not occurred and be continuing any Company Material Adverse Effect.

When the Merger Will Become Effective (Page 90)

We anticipate completing the merger in the third quarter of 2013.

Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger (Page 35)

Because two of our Board members, Drs. Yang Zhao and Quan Zhou, have actual or potential conflicts of interest in evaluating the merger due to their status as Rollover Holders or affiliates of Rollover Holders, our Board appointed a special committee consisting solely of the three independent and disinterested directors remaining on our Board: Roger W. Blethen, Dr. Lawrence A. Kaufman and

Michael Tung (the "Special Committee"). The Special Committee was responsible for evaluating the merger and other strategic alternatives available to us, negotiating with IDG and other potentially interested parties and making recommendations to our Board with respect thereto.

Based upon the unanimous recommendation of the Special Committee, our Board, with Drs. Zhao and Zhou abstaining due to their respective interests in the merger, unanimously: (i) determined that the merger, on the terms and subject to the conditions set forth in the Merger Agreement, is fair to and in the best interest of our company and our stockholders; (ii) approved and declared advisable the merger, the Merger Agreement and the transactions contemplated by the Merger Agreement; and (iii) resolved to recommend that our stockholders adopt the Merger Agreement. **Accordingly, our Board (with Drs. Zhao and Zhou abstaining) unanimously recommends that our stockholders vote for "FOR" the Merger Proposal**. For a description of the reasons considered by the Special Committee and by our Board, see "*Special Factors Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger*" beginning on page 35 of this proxy statement. For a description of the interests of our directors Drs. Zhao and Zhou in the consummation of the merger, see *"Special Factors Interests of Certain Persons in the Merger"* beginning on page 70 of this proxy statement.

Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration (Page 45 and Annex B)

The Special Committee retained RBC Capital Markets, LLC, which we refer to as "RBC," to act as its financial advisor in connection with the Merger. The Special Committee selected RBC to act as its financial advisor based on its qualifications, expertise, reputation and knowledge of our business and affairs and its experience with semiconductor companies and the industry in which we operate. RBC has delivered a written opinion to the Special Committee to the effect that, as of April 22, 2013 and based upon and subject to the considerations, assumptions, limitations, qualifications and other matters set forth therein, the merger consideration to be received by our stockholders (other than the Rollover Holders) pursuant to the merger was fair, from a financial point of view, to such stockholders. RBC's opinion was provided to the Special Committee in connection with the Special Committee's and our Board's evaluation of the merger consideration, and did not address any other aspect of the merger or constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger.

The full text of RBC's written opinion, dated April 22, 2013, is attached to this proxy statement as Annex B, and constitutes part of this proxy statement. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications of the review undertaken by RBC in rendering its opinion. You should read the opinion carefully in its entirety. In the Special Committee's engagement letter with RBC, we agreed to pay RBC $400,000 upon rendering its written opinion, whether or not the opinion was favorable. If the merger is successfully completed, RBC will also receive an additional transaction fee of $1,850,000, against which all of the fee payable for the delivery of RBC's opinion will be credited. For a further discussion of RBC's opinion, our prior relationship with RBC and the terms of RBC's engagement, see "*Special Factors Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration*" beginning on page 45 of this proxy statement.

Purposes and Reasons for the Merger (Page 54)

Our purpose in undertaking the merger is to enable our "unaffiliated security holders," as that term is defined under Rule 13e-3 of the Securities Exchange Act of 1934 (and which we refer to as "unaffiliated stockholders"), to realize the value of their investment in our Common Stock through their receipt of the merger consideration, which represents a premium of approximately 56% to the closing market price of the Common Stock on April 22, 2013, the last trading day before the public announcement of the signing of the Merger Agreement, and a premium of approximately 143% to the closing market price of our Common Stock on November 20, 2012, the last trading day before we announced that we had received a non-binding proposal from IDG-Accel China Growth Fund II L.P., one of the IDG Funds, to acquire our company for $4.00 per share.

Additionally, becoming a private company is expected to allow us to reduce costs related to being a public company and allow our management and certain other employees to eliminate much of the time they devote to complying with our obligations as a public company. As a result, we may be better able to focus our resources as a private company.

For Parent, Merger Sub and the Rollover Holders, the purposes of the merger include, but are not limited to, the following:

- to allow Parent and the Rollover Holders (to the extent such Rollover Holders contribute cash and/or their Common Stock to Parent) to benefit from our future earnings and growth, if any, after the Common Stock ceases to be publicly traded;

- to enable the Rollover Holders to immediately realize in cash the value of a portion of their Common Stock, to the extent such Common Stock is not "rolled over" into equity shares of Parent;

- to allow the Rollover Holders to maintain a significant portion of their investment in our Common Stock through their commitments to exchange or roll over their Common Stock into equity shares of Parent; and

- to afford the Surviving Corporation greater operating flexibility as a privately held company, allowing management to concentrate on long-term growth and to reduce its focus on the quarter-to-quarter performance often emphasized by the public markets.

Certain Effects of the Merger (Page 55)

If the conditions to the closing of the merger are either satisfied or, to the extent permitted, waived, Merger Sub will merge with and into our company, the separate corporate existence of Merger Sub will cease, and we will continue our corporate existence under Delaware law as the surviving corporation in the merger, with all of our rights, privileges, immunities, powers and franchises continuing unaffected by the merger. Upon completion of the merger, shares of our Common Stock, other than shares that we own or are otherwise owned by Parent (including shares contributed to Parent by the Rollover Holders prior to the closing of the merger), Merger Sub and any stockholders who have properly exercised and perfected and not withdrawn or lost their appraisal rights under Delaware law, will be converted into the right to receive $4.225 per share, without interest and less any applicable withholding taxes. Following the completion of the merger, our Common Stock will no longer be publicly traded, we will no longer file reports with the Securities and Exchange Commission (the "SEC"), and our stockholders (other than those Rollover Holders that have acquired equity shares of Parent in exchange for cash consideration and/or contributions of Common Stock) will cease to own any of our equity interests.

Treatment of Company Stock Options, Restricted Stock Awards and Restricted Stock Units (Page 91)

Company Stock Options. Upon the consummation of the merger, each option to purchase our Common Stock that is then outstanding, whether or not vested (which options are referred to as "Company Options"), including those held by the Rollover Holders, will be cancelled and converted into the right to receive cash in an amount equal to: (a) the product of (i) the total number of shares of Common Stock subject to such Company Option immediately prior to the consummation of the merger (without regard to vesting), and (ii) the excess, if any, of $4.225 over the exercise price per share of Common Stock subject to such Company Option, less (b) any amounts that are required to be withheld or deducted under applicable tax provisions. Such amount will be paid as soon as reasonably practicable after the consummation of the merger. No holder of a Company Option that has an exercise price per share of Common Stock that is equal to or greater than the merger consideration will be entitled to any payment with respect to such cancelled Company Option before or after the effective time of the merger.

Company Restricted Stock Awards. Upon the consummation of the merger, each of our restricted stock awards that are granted and outstanding, including those held by the Rollover Holders and our directors, will be cancelled and converted into the right to receive the merger consideration, which amount will be paid net of any applicable taxes, as soon as reasonably practicable after the effective time of the merger.

Company Restricted Stock Units. Upon the consummation of the merger, each of our restricted stock units that are granted and outstanding, including those held by the Rollover Holders and our directors, will be cancelled and converted into the right to receive the merger consideration, which amount will be paid net of any applicable taxes, as soon as reasonably practicable after the effective time of the merger.

Interests of Certain Persons in the Merger (Page 70)

In considering the recommendation of our Board with respect to the Merger Agreement, you should be aware that some of our directors, executive officers and other employees have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. Because of their interests in the consummation of the merger, Dr. Yang Zhao (our Chairman, President and Chief Executive Officer, and also a Rollover Holder) and Dr. Quan Zhou (a director serving on our Board and an affiliate of IDG) abstained from our Board's unanimous recommendation that our stockholders vote for the Merger Proposal. The Special Committee and our Board were aware of these potential or actual conflicts of interest and considered them along with other matters when they resolved to recommend that our stockholders vote for the Merger Proposal. These interests, which are discussed in detail in the section entitled "*Special Factors Interests of Certain Persons in the Merger*" beginning on page 70 of this proxy statement, include the following:

- prior to the merger, two of our directors (Dr. Zhou, acting indirectly through the IDG Funds, and Dr. Zhao, our President and Chief Executive Officer and Chairman of our Board) will contribute to Parent a combination of cash consideration and Common Stock in exchange for equity shares of Parent, and will be among our ultimate beneficial owners following completion of the merger;

- prior to the merger, Dr. Zhao, Dr. Paul Zavracky, our President of North American and European Operations and Ms. Patricia Niu, our Chief Financial Officer (collectively, our "executive officers"), ten of our other employees, and three employees of MEMSIC Semiconductor (WUXI) Co., Ltd., our wholly owned Chinese subsidiary (which we refer to as "MEMSIC WUXI"), will contribute to Parent a combination of cash consideration and Common Stock in exchange for equity shares of Parent, and will, along with IDG, be ultimate beneficial owners of the Surviving Corporation following the effective time of the merger;

- the Rollover Holders will be able to immediately realize in cash the value of a portion of their Common Stock (to the extent such Common Stock is not "rolled over" into equity shares of Parent) while simultaneously maintaining a significant portion of their investments in our Common Stock through their commitments to exchange or roll over their Common Stock into equity shares of Parent;

- our executive officers immediately prior to the effective time of the merger will, from and after the effective time of the merger, be the initial officers of the Surviving Corporation, until their

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successors are duly elected or appointed and qualified, or until their earlier death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and bylaws;

like other holders of Company Options, each Rollover Holder and each of our directors holding Company Options at the effective time of the merger (other than IDG, which does not hold any Company Options) will have the right to receive cash in respect of such Company Options, in an amount equal to: (a) the product of (i) the total number of shares of Common Stock subject to such Company Option immediately prior to the consummation of the merger (without regard to vesting), and (ii) the excess, if any, of $4.225 over the exercise price per share of Common Stock subject to such Company Option, less (b) any amounts that are required to be withheld or deducted under applicable tax provisions.

like other holders of our restricted stock awards and restricted stock units, each Rollover Holder and each of our directors holding such securities at the effective time of the merger (with the exception of IDG, which does not hold any of such securities) will have the right to receive cash in respect of each share or unit in the amount of the merger consideration, without interest and less any amounts that are required to be withheld or deducted under applicable tax provisions;

our directors and executive officers are entitled to continued indemnification and insurance coverage under the Merger Agreement and the organizational documents of the Surviving Corporation; and

in consideration of their service on the Special Committee, the members of the Special Committee are entitled to receive cash fees in the amount of $2,500 for each meeting of the Special Committee that they attend, and the Chairman of the Special Committee, Roger W. Blethen, is entitled to receive an additional one-time cash fee in the amount of $7,500. Each of Mr. Tung and Dr. Kaufman has received $57,500 in respect of these fees, and Mr. Blethen has received $65,000 in respect of these fees, including his one-time cash fee as Chairman of the Special Committee. An additional $15,000 is owed to each member of the Special Committee on account of these fees for meetings held during the second calendar quarter of 2013. On April 22, 2013 our Board approved an additional cash payment to each member of the Special Committee in the amount of $63,375 in consideration of his service on the Special Committee, and such amounts also remain payable. These amounts were paid to our Special Committee members in July, 2013.

Financing (Page 68)

Parent estimates that the total amount of funds required to consummate the merger and related transactions and pay all other related fees, expenses and other amounts payable by Parent or the Surviving Corporation pursuant to the Merger Agreement will be approximately $89.2 million. Parent expects this amount to be provided from the following sources:

an aggregate cash equity investment in Parent by the Sponsor of up to $86.3 million (as described in this proxy statement under "*Special Factors Financing Equity Financing*");

the Rollover Holders' acquisition of equity shares of Parent in exchange for cash consideration and/or contributions of Common Stock beneficially owned by these Rollover Holders (as described in this proxy statement under "*Special Factors Financing Rollover Financing*"); and

with respect to the payment of certain transaction-related fees and expenses, from our cash balances and the cash balances of IDG.

The financing described above, when funded in accordance with the related equity commitment letter and contribution agreement, as applicable, will provide the cash proceeds sufficient for the

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consummation of the merger and the payment of all fees, expenses and other amounts payable pursuant to the Merger Agreement.

Limited Guaranty (Page 113)

The Sponsor has agreed to guarantee certain obligations of Parent under the Merger Agreement, on the terms and subject to the conditions set forth in a limited guaranty, dated as of April 22, 2013, in our favor (which we refer to as the "Limited Guaranty"), in an amount up to $3.89 million. The obligations guaranteed by the Limited Guaranty includes the payment of the $3.54 million Parent Termination Fee (as such term is defined in the Merger Agreement, and described in this proxy statement under "*The Merger Agreement Termination Fees,*" beginning on page 111) and other specified costs and expenses that may become payable by Parent. See "*Agreements Involving Common Stock Limited Guaranty*" beginning on page 113 of this proxy statement.

Material U.S. Federal Income Tax Consequences of the Merger (Page 75)

If you are a U.S. Holder (as such term is defined in this proxy statement under *"Special Factors Material U.S. Federal Income Tax Consequences of the Merger,"* beginning on page 75), the receipt of cash in exchange for shares of our Common Stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. You should consult your own tax advisors for a full understanding of the tax consequences of the merger, including the exchange of shares of Common Stock for cash or an exercise of related appraisal rights, in light of your particular circumstances, including the application and effect of any state, local or foreign income and other tax laws. See *"Special Factors Material U.S. Federal Income Tax Consequences of the Merger"* beginning on page 75 of this proxy statement for additional information.

Material People's Republic of China Income Tax Consequences of the Merger (Page 79)

We do not believe that we should be considered a "resident enterprise" under the Enterprise Income Tax Law (the "EIT Law") of the PRC, or that any gain recognized on the receipt of cash for the shares of our Common Stock pursuant to the merger by stockholders that are not PRC residents should be considered as income sourced from the PRC and subject to PRC tax. If, however, PRC tax authorities were to determine that we should be considered a resident enterprise or that the receipt of cash for shares of our Common Stock should otherwise be subject to PRC tax, then gain recognized on the receipt of cash for shares of our Common Stock pursuant to the merger or through the exercise of appraisal rights by our stockholders who are not PRC residents could be treated as PRC-sourced income that would be subject to PRC income tax at a rate of 20%, in the case of individuals, or 10%, in the case of corporations (subject to applicable treaty relief). You should consult your own tax advisors for a full understanding of the PRC tax consequences of the merger, including the exchange of Common Stock shares for cash or an exercise of related appraisal rights, in light of your particular circumstances. See *"Special Factors Material PRC Income Tax Consequences of the Merger"* beginning on page 79 of this proxy statement for additional information.

Anticipated Accounting Treatment of the Merger (Page 81)

As the surviving corporation in the merger, we will account for the merger as a business combination using the purchase method of accounting for financial accounting purposes, whereby the estimated purchase price will be allocated to our assets and liabilities based on their relative fair values following FASB Accounting Standards Codification Topic 805, Business Combinations.

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Regulatory Approvals (Page 80)

In connection with the merger, we will be required to make certain filings with, and comply with certain laws of, various PRC and U.S. federal and state governmental agencies. It is currently expected that no prior regulatory approvals, including under antitrust laws and regulations, will be required in order to complete the merger.

Litigation (Page 81)

On May 14, 2013, a putative class action captioned *Spencer v. Zhao et al.*, C.A. No. 13-1771-BLS, was filed in Massachusetts Superior Court in Suffolk County against us and our directors, as well as David Yang, a former director, and Merger Sub. An amended complaint was filed on June 4, 2013. The amended complaint alleges, among other things, that our directors breached their fiduciary duties of care, loyalty, good faith, candor and independence owed to our stockholders by engaging in an unfair process that resulted in the proposed merger at an inadequate price that is not in the best interests of our stockholders and that our officers and directors allegedly stand to gain unique benefits from the proposed transaction. The amended complaint also alleges that our management deterred other interested parties so that a deal with IDG could be reached. The amended complaint further alleges that that our directors breached their fiduciary duties by agreeing to non-solicitation and other deal protection provisions in the Merger Agreement, and that the preliminary version of this proxy statement that we filed with the SEC on May 21, 2013 fails to provide our stockholders with material information and/or provides them with materially misleading information thereby rendering our stockholders unable to make an informed decision as to how to vote at the special stockholder meeting. See "*Special Factors Litigation"* beginning on page 81 of this proxy statement for additional information regarding this suit.

While we and the other defendants believe that the allegations made in the lawsuit are without merit, we, together with these other defendants, entered into a memorandum of understanding dated as of July 29, 2013 (the "MOU"), with the plaintiff in the lawsuit solely in an effort to minimize the expense and uncertainty of litigation. Pursuant to the MOU, the parties agreed to settle the lawsuit subject to certain conditions and without admitting any liability. The MOU establishes a framework to resolve the allegations against us and the other defendants in connection with the merger and includes an agreement to negotiate and execute a final settlement agreement which would provide for: (i) the conditional certification, for settlement purposes only, of a non-opt-out class pursuant to Rule 23 of the Massachusetts Rule of Civil Procedure consisting of all holders of our Common Stock (excluding defendants in the lawsuit and certain related persons) from and including November 20, 2012 through and including the closing of the merger, together with their predecessors and successors and assigns; and (ii) the release and settlement by our stockholders of all claims against us and the other defendants in connection with the merger. The asserted claims will not be released and settled until approved by the Massachusetts Superior Court. In exchange for such settlement and release and pursuant to the terms of the MOU, the parties agreed, after arm's-length negotiations, that we would supplement this proxy statement with certain of the additional disclosures contained herein, and as specifically identified in the MOU (the "Supplemental Disclosures"). Plaintiff recites in the MOU that he believes that the proxy statement, when supplemented by the Supplemental Disclosures, will permit our stockholders to make a fully informed decision with respect to whether or not to approve the merger.

The settlement is contingent upon plaintiff's completion of confirmatory discovery. Plaintiff has the right to withdraw from the settlement in the event that he determines, following confirmatory discovery, that the settlement is not fair, reasonable, adequate or in the best interests of our stockholders. The settlement is also contingent upon approval by the Massachusetts Superior Court. In addition, in connection with the settlement and as provided in the MOU, the parties contemplate that plaintiff's counsel will seek an award of attorneys' fees and expenses as part of the settlement. The settlement will not affect the amount of the merger consideration that our stockholders are entitled to receive in the merger.

There can be no assurance that the parties will ultimately enter into a final settlement agreement or that the court would approve the settlement even if the parties were to enter into such final settlement agreement. In such event, the proposed settlement as contemplated by the MOU may be terminated, in which case we will continue to vigorously defend against the allegations made in the lawsuit. Because the settlement might not be approved by the court and the settlement may be terminated, the outcome of this lawsuit is uncertain and cannot be predicted with any certainty. An adverse judgment for monetary damages could have a material adverse effect on our operations and liquidity. A preliminary injunction could delay or jeopardize the completion of the merger, and an adverse judgment granting permanent injunctive relief could indefinitely prevent completion of the merger.

Appraisal Rights (Page 122 and Annex C)

Under Delaware law, holders of our Common Stock who do not vote in favor of the Merger Proposal, who properly demand appraisal of their shares of Common Stock and who otherwise comply with the requirements of Section 262 of the DGCL, which we refer to as "Section 262," will be entitled to seek appraisal for, and obtain payment in cash of the judicially determined fair value of, their shares of Common Stock in lieu of receiving the merger consideration if the merger is completed. This value could be more than, the same as, or less than the merger consideration. Any holder of Common Stock intending to exercise appraisal rights must, among other things, submit a written demand for appraisal to us prior to the vote on the Merger Proposal, must not vote in favor of the Merger Proposal and must otherwise strictly comply with all of the procedures required by Delaware law. The relevant provisions of the DGCL are included as Annex C to this proxy statement. You are encouraged to read these provisions carefully and in their entirety. Moreover, due to the complexity of the procedures for exercising the right to seek appraisal, stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with these provisions will result in loss of the right of appraisal.

No Solicitation (Page 100)

Upon the execution of the Merger Agreement, we agreed to immediately cease and cause to be terminated all existing discussions or negotiations with any parties conducted prior to such time with respect to a Competing Transaction. We further agreed that neither we nor any of our directors, officers, subsidiaries or any of the directors or officers of our subsidiaries will, and that we will direct our agents, advisors and other representatives (including any investment banker, attorney or accountant retained by us or our subsidiaries), not to, in each case, directly or indirectly:

- solicit, initiate or knowingly encourage (including by way of furnishing nonpublic information in a manner designed to knowingly encourage), or take any other action to facilitate, any inquiries or the making of any proposal or offer (including a proposal or offer to our stockholders) that constitutes, or would reasonably be expected to lead to, any Competing Transaction;

- enter into, maintain or continue discussions or negotiations with, or provide any nonpublic information to, any person or entity (excluding our directors, officers, employees, financial advisors, attorneys, advisors and other representatives) in furtherance of such inquiries or to obtain a proposal or offer for a Competing Transaction;

- except as otherwise provided below, agree to, approve, endorse or recommend any Competing Transaction or enter into any letter of intent or contract or commitment contemplating or otherwise relating to any Competing Transaction; or

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- authorize or permit any of our officers, directors or subsidiaries, or direct any investment banker, financial advisor, attorney, accountant or other representative retained by or acting directly or indirectly under our direction or the direction of our subsidiaries, to take any of the above actions.

In addition, we may not release any third party whom we have reason to believe is seeking to make or has made a proposal or offer regarding Competing Transaction from, or waive any provision of, any confidentiality or standstill agreement to which it is a party, unless our Board or an applicable committee of our Board determines in good faith that the failure to take such action would reasonably be expected to be inconsistent with the fiduciary duties of our Board or such committee.

We agreed to notify Parent as promptly as practicable (and in any event within 48 hours after we have knowledge), orally and in writing, of any proposal or offer, or any inquiry or contact with any person, regarding a Competing Transaction or that would reasonably be expected to lead to a Competing Transaction, specifying:

- the material terms and conditions of the proposal or offer (including material amendments or proposed material amendments) and providing, if applicable, copies of any written requests, proposals or offers, including proposed agreements;
- the identity of the party making such proposal or offer or the inquiry or contact; and
- whether our Board (or an applicable committee thereof) has formed any intention to provide confidential information to such person.

We are obligated to keep Parent informed, on a reasonably current basis (and in any event within 48 hours of the occurrence of any material changes, developments, discussions or negotiations) of the status and terms of any such proposal, offer, inquiry, contact or request and of any material changes in the status and terms of any such proposal, offer, inquiry, contact or request (including the material terms and conditions thereof). We must provide Parent with 48 hours prior notice (or such lesser prior notice as is provided to the members of our Board or members of the Special Committee) of any meeting of our Board or the Special Committee at which our Board or the Special Committee, is reasonably expected to consider any Competing Transaction.

Notwithstanding the restrictions described above, our Board (or an applicable committee thereof) may furnish information to, and enter into discussions with, a person who has made an unsolicited, written, bona fide proposal or offer regarding a Competing Transaction if our Board (or an applicable committee thereof) has:

- determined, in its good faith judgment (after consultation with its financial advisor and outside legal counsel), that such proposal or offer constitutes or could be reasonably expected to lead to a Superior Proposal (as such term is defined in the Merger Agreement, and described in this proxy statement under "*The Merger Agreement Other Covenants and Agreements*");
- determined, in its good faith judgment (after consultation with its outside legal counsel), that, in light of such Superior Proposal or potential Superior Proposal, failure to furnish such information or enter into discussions would reasonably be expected to be inconsistent with its fiduciary obligations under applicable laws;
- provided written notice to Parent of its intent to furnish information or enter into discussions with such person at least one business day prior to taking any such action; and
- obtained from such person an executed confidentiality agreement on terms no less favorable to us in the aggregate than those contained in the confidentiality agreement we have in place with Sponsor.

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We must concurrently make available to Parent any information concerning our company or our subsidiaries that we provide to any third party pursuant to the above provisions and which was not previously provided to Parent.

Notwithstanding the provisions described above, the Merger Agreement does not prohibit our Board from disclosing to our stockholders a position contemplated by Rule 14e-2(a) and Rule 14d-9 under the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act") and nothing in the Merger Agreement prohibits us, our Board or any committee of our Board from issuing a "stop, look and listen" statement or other communication pending disclosure of its position, as contemplated by Rule 14e-2(a) and Rule 14d-9 under the Exchange Act. Additionally, our Board (or an applicable committee thereof) may, at any meeting at which, or in any written consent in which, it adopts resolutions authorizing the termination of the Merger Agreement to pursue a Superior Proposal, adopt further resolutions authorizing, agreeing to, approving, endorsing or recommending to our stockholders any Superior Proposal and any definitive agreement or agreements relating thereto.

Termination (Page 109)

The Merger Agreement may be terminated at any time prior to the effective time:

- upon our mutual written agreement with Parent, with the approval of each of our respective boards of directors (and in our case, acting upon the recommendation of the Special Committee);
- by us or by Parent, if:
  - there has been an Outside Date Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109);
  - any governmental authority of competent jurisdiction has enacted, issued, promulgated, enforced or entered any injunction that will have become final and non-appealable, provided that the right to terminate the Merger Agreement pursuant to this provision will not be available to any party whose failure to fulfill any of its obligations under the Merger Agreement is the primary cause of, or primarily resulted in or materially contributed to the enactment, issuance, promulgation, enforcement or entry of such injunction; or
  - there has been a Stockholder Vote Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109);
- by us, if:
  - there has been a Superior Proposal Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109);
  - there has been a Parent Breach Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109); or
  - there has been a Failure to Close Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109);
- by Parent, if:

there has been a Company Breach Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109);

there has been a Change in Recommendation Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109); or

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there has been a Non-Solicitation Termination (as such term is defined in this proxy statement under "*The Merger Agreement Termination,*" beginning on page 109).

Termination Fees (Page 111)

We have agreed to pay Parent a termination fee of $1.77 million, which we refer to as the "Company Termination Fee," less any amounts described under *"The Merger Agreement Expenses"* (beginning on page 112 of this proxy statement), paid or payable by us, if the Merger Agreement is terminated:

- by Parent as a Change in Recommendation Termination or a Non-Solicitation Termination;
- by us, as a Superior Proposal Termination; or
- by Parent as a Company Breach Termination or by either of us or Parent as an Outside Date Termination or a Stockholder Vote Termination, if:
  - in the case of Stockholder Vote Termination, after the date of the Merger Agreement and prior to the special meeting, a bona fide Competing Transaction is made known to us, or is publicly announced or publicly made known, and has not been withdrawn; or
  - in the case of an Outside Date Termination or a Company Breach Termination, after the date of the Merger Agreement and before the effectiveness of such termination, a bona fide Competing Transaction is made known to us, or is publicly announced or publicly made known, and has not been withdrawn;

and, in each case, we, or one of our subsidiaries, consummate a Competing Transaction within twelve months after any such termination of the Merger Agreement, whether or not it is the same Competing Transaction (provided that for purposes of determining whether the Company Termination Fee shall be payable, all references to "20%" in the definition of "Competing Transaction" will be deemed to be references to "50%").

Parent is required to pay us the $3.54 million Parent Termination Fee if we terminate the Merger Agreement as a Parent Breach Termination or a Failure to Close Termination.

In the event that we fail to pay the Company Termination Fee, or Parent fails to pay the Parent Termination Fee, when due and in accordance with the requirements of the Merger Agreement, either party, as the case may be, will be required to reimburse the other party for all costs and expenses reasonably incurred by the other party in connection with the collection of that fee, together with interest on such unpaid fee, commencing on the date that the Company Termination Fee or Parent Termination Fee became due, at a rate equal to the rate of interest publicly announced by Bank of America Corporation, from time to time, in The City of New York, as such bank's prime rate plus 1.00%. Such collection expenses will not otherwise diminish in any way the payment obligations under the Merger Agreement. Any such cost, expense or interest will be payable by us or by Parent only in the event the other party has obtained a final, non-appealable judgment for the failure to pay the relevant termination fee.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting, the Merger Agreement and the merger. These questions and answers may not address all questions that may be important to you as one of our stockholders. Please refer to the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement.

Q: Why am I receiving this proxy statement?

A:

On April 22, 2013, we entered into the Merger Agreement, providing for our merger with Merger Sub, where we will survive the merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of Sponsor. You are receiving this proxy statement in connection with the solicitation of proxies by our Board in favor of the Merger Proposal and the other matters to be voted on at the special meeting.

Q: What is the proposed transaction?

A:

The proposed transaction is our merger with Merger Sub pursuant to the Merger Agreement. Following the effective time of the merger, we will be privately held by Parent.

Q: What will I receive in the merger?

A:

If the merger is completed, you will be entitled to receive $4.225 in cash, without interest and less any applicable withholding taxes, for each share of Common Stock that you own, unless: (i) you are a Rollover Holder contributing some or all of the Common Stock you beneficially own in exchange for equity shares of Parent (in which case you will receive the merger consideration, without interest and less any applicable withholding taxes, solely with respect to shares of Common Stock you sell in the merger); or (ii) you properly exercise and perfect, and do not withdraw or lose, appraisal rights under Section 262. For example, if you own 100 shares of Common Stock, are not a Rollover Holder, and do not exercise your appraisal rights, you will be entitled to receive $422.50 in cash in exchange for your shares of Common Stock, less any applicable withholding taxes. You will not be entitled to receive shares in the Surviving Corporation.

Q: Am I entitled to exercise appraisal rights instead of receiving the merger consideration for my shares of Common Stock?

A:

Stockholders who do not vote in favor of the Merger Proposal, who properly demand appraisal of their shares of Common Stock, and who otherwise comply with the requirements of Section 262 are entitled to statutory appraisal rights, also known as dissenters' rights, under Delaware law in connection with the merger. This means that if you comply with the requirements of Section 262, you are entitled to have the "fair value" (as defined pursuant to Section 262) of your shares of Common Stock determined by the Court of Chancery of the State of Delaware and to receive payment based on that valuation instead of receiving the merger consideration. The ultimate amount you would receive in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the Merger Agreement. To exercise your appraisal rights, you must comply with the requirements of the DGCL. See "*Appraisal Rights*" beginning on page 122 of this proxy statement, and the text of Section 262, which is reproduced in its entirety as Annex C to this proxy statement.

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Q: Where and when is the special meeting?

A:

The special meeting will take place at the offices of Foley Hoag LLP located at Seaport West, 155 Seaport Boulevard, Boston, Massachusetts 02210 on September 16, 2013, at 10:00 a.m., local time.

Q: What matters will be voted on at the special meeting?

A:

You will be asked to consider and vote on the following proposals:

to adopt the Merger Proposal;

to approve, by a non-binding, advisory vote, certain compensation arrangements for our executive officers in connection with the merger, which we refer to as the "Golden Parachute Proposal" (see *"Special Factors Advisory Vote on Specified Compensation"* and *"Special Factors Interests of Certain Persons in the Merger"* for additional information);

to adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the Merger Proposal, which we refer to as the "Adjournment Proposal;" and

to transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting.

Q: Who can attend and vote at the special meeting?

A:

All holders of record of our Common Stock as of the close of business on August 6, 2013, the record date for the special meeting, are entitled to receive notice of and to attend and vote at the special meeting, or any adjournment or postponement thereof. If you are a stockholder of record, please be prepared to provide proper identification, such as a driver's license. If you wish to attend the special meeting and your shares of Common Stock are held in "street name" by your broker, bank or other nominee, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification. "Street name" holders who wish to vote at the special meeting will need to obtain a proxy executed in such holder's favor from the broker, bank or other nominee that holds their shares of Common Stock. Seating will be limited at the special meeting.

Q: What is the quorum required to transact business at the special meeting?

A:

In order for any matter to be considered at the special meeting, there must be a quorum present. The presence, in person or represented by proxy, of the holders of a majority of the shares of the Common Stock outstanding on the record date for the meeting will constitute a quorum. Shares of Common Stock represented by proxies reflecting abstentions will be counted as present and entitled to vote for purposes of determining a quorum. A "broker non-vote" occurs when a broker holding shares for a beneficial owner is precluded from exercising its voting discretion with respect to approving a "non-routine" proposal because the broker does not have discretionary voting power and has not received instructions from the beneficial owner. Because there are no discretionary items to be voted upon at the special meeting, broker non-votes as to all matters will not be counted as presented and entitled to vote for purposes of determining a quorum. If a quorum is not present, the stockholders entitled to vote at the meeting who are present or represented by proxy may adjourn the meeting until a quorum is present. See *"The Special Meeting Record Date and Quorum*" beginning on page 86 of this proxy statement.

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Q: What vote of our stockholders is required to approve the Merger Agreement?

A:

Under Delaware law and as a condition to the consummation of the merger, stockholders holding at least a majority of the shares of the Common Stock outstanding at the close of business on the record date must vote "**FOR**" the Merger Proposal. A failure to vote your shares of Common Stock or an abstention from voting will have the same effect as a vote against the Merger Proposal.

As of May 10, 2013, there were 24,296,504 shares of our Common Stock outstanding. Except in their capacities as members of our Board, as applicable, none of our officers or directors has made any recommendation either in support of or in opposition to the merger or the Merger Agreement.

Our directors have informed us that, as of the date of this proxy statement, they intend to vote in favor of the Merger Proposal.

In connection with our entry into the Merger Agreement, on April 22, 2013, we entered into the Voting Agreement, whereby the IDG Funds and the other Rollover Holders party thereto (including our executive officers) committed to vote the shares of Common Stock over which they have voting control in favor of the Merger Proposal, against certain Competing Transactions, and against any action, agreement or transaction that could reasonably be expected to materially impede, frustrate, interfere with, delay, postpone, adversely affect or prevent the consummation of the merger or the other transactions contemplated by the Merger Agreement. The IDG Funds beneficially own, in the aggregate, 4,725,223 shares of Common Stock, representing approximately 19.4% of our outstanding voting power, and the other Rollover Holders party to the Voting Agreement beneficially own, in the aggregate, 761,759 shares of Common Stock, representing approximately 3.1% of our outstanding voting power.

Q: What vote of our stockholders is required to approve other matters to be discussed at the Special Meeting?

A:

The approval of the Golden Parachute Proposal and the Adjournment Proposal require the affirmative vote of a majority of the votes cast on those proposals.

Q: What was the role and recommendation of the Special Committee?

A:

Because Drs. Zhao and Zhou have actual or potential conflicts of interest in evaluating the merger, our Board appointed the Special Committee to evaluate the merger and other strategic alternatives, and to make recommendations to our Board with respect thereto. The Special Committee had no obligation to recommend the adoption of the Merger Agreement, the merger or any other transaction. The Special Committee unanimously recommended that the Board: (i) determine that the Merger Agreement and the transactions contemplated thereby, including the merger, are advisable to us, and in our best interests; (ii) approve and declare advisable our execution, delivery and performance of the Merger Agreement and the consummation of the transactions contemplated thereby, including the merger; and (iii) resolve to recommend that our stockholders adopt the Merger Agreement, in each case upon the terms and conditions set forth in the Merger Agreement.

In arriving at its conclusion, the Special Committee considered, among other things, the opinion of RBC, that, as of the date of such opinion, and based on and subject to the assumptions, limitations and qualifications set forth in the opinion, the per share merger consideration to be received by holders of our Common Stock (other than the Rollover Holders) is fair, from a financial point of view, to such stockholders. See "*Special Factors Reasons for the Merger; Recommendations of the*

Special Committee and the Board of Directors; Fairness of the Merger" beginning on page 35 of this proxy statement.

Q: How does the Board recommend that I vote?

A:

Our Board (with Drs. Zhao and Zhou abstaining) unanimously recommends that our stockholders vote:

"**FOR**" the Merger Proposal;

"**FOR**" the Golden Parachute Proposal; and

"**FOR**" the Adjournment Proposal.

Our Board based its recommendation on the unanimous recommendation of the Special Committee, and also considered the fairness opinion of RBC. You should read "*Special Factors Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger*" beginning on page 35 of this proxy statement, for a discussion of the factors that our Board (with Drs. Zhao and Zhou abstaining) considered in deciding to recommend that our stockholders vote in favor of the Merger Proposal. See also "*Special Factors Interests of Certain Persons in the Merger*" beginning on page 70 of this proxy statement.

Q: What effects will the merger have on MEMSIC and the Common Stock?

A:

Our Common Stock is currently registered under the Exchange Act and is listed on the NASDAQ Global Market, which we refer to as the "NASDAQ," under the symbol "MEMS." As a result of the merger, we will become wholly owned by Parent. Following the consummation of the merger, the registration of our Common Stock and our reporting obligations under the Exchange Act will be terminated, and our Common Stock will no longer be listed on any stock exchange or quotation system, including the NASDAQ. Unless you are a Rollover Holder or have properly exercised and perfected your appraisal rights, your Common Stock will represent only the right to receive the merger consideration.

Q: When do you expect the merger to be completed?

A:

We will complete the merger as quickly as possible after the special meeting. In order to complete the merger, we must obtain the stockholder approvals described in this proxy statement, and the other closing conditions under the Merger Agreement must be satisfied or waived. We hope to complete the merger during the third calendar quarter of 2013, although there can be no assurance that we will be able to do so.

Q: Is the merger expected to be taxable to me?

A:

If you are a U.S. stockholder, the receipt of cash for your shares of Common Stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes. If you are a "Non-U.S. Holder" (as such term is defined in this proxy statement under *"Special Factors Material U.S. Federal Income Tax Consequences of the Merger,"* beginning on page 75), the receipt of cash for your shares of Common Stock pursuant to the merger will generally not be a taxable transaction for U.S. federal income tax purposes, unless you have certain connections to the United States. See *"Special Factors Material U.S. Federal Income Tax Consequences of the Merger"* beginning on page 75 of this proxy statement.

We do not believe that we should be considered a "resident enterprise" under the PRC's EIT Law, or that any gain recognized on the receipt of cash for the shares of our Common Stock pursuant to the merger by stockholders that are not PRC residents should be considered as income sourced from the PRC and subject to PRC tax. If, however, PRC tax authorities were to determine that we should be considered a resident enterprise or that the receipt of cash for shares of our Common Stock should otherwise be subject to PRC tax, then gain recognized on the receipt of cash for shares of our Common Stock pursuant to the merger or through the exercise of appraisal rights by our stockholders who are not PRC residents could be treated as PRC-sourced income that would be subject to PRC income tax at a rate of 20% in the case of individuals, or 10% in the case of corporations (subject to applicable treaty relief). You should consult your own tax advisors for a full understanding of the PRC tax consequences of the merger, including the exchange of Common Stock shares for cash or an exercise of related appraisal rights, in light of your particular circumstances. See *"Special Factors Material PRC Income Tax Consequences of the Merger"* beginning on page 79 of this proxy statement for additional information.

You should consult your own tax advisors for a full understanding of the tax consequences of the merger, including the exchange of Common Stock shares for cash or an exercise of related appraisal rights, in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws, such as those of the PRC).

Q: What happens if the merger is not consummated?

A:

If the Merger Agreement is not approved by our stockholders, or if the merger is not consummated for any other reason, our stockholders will not receive any payment for their shares in connection with the merger. Instead, we will remain a public company and shares of Common Stock will continue to be listed and traded on the NASDAQ. Under specified circumstances, we may be required to pay Parent and Merger Sub a termination fee of $1.77 million, or Parent may be required to pay us a termination fee of $3.54 million. See "*The Merger Agreement Termination*" beginning on page 109 of this proxy statement.

Q: What do I need to do now?

A:

We urge you to read this proxy statement carefully, including its annexes, which constitute part of this proxy statement, and to consider how the merger affects you. If you are a stockholder of record, you can ensure that your shares are voted at the special meeting by completing, signing, dating and returning your proxy card(s) in the enclosed envelope(s).

If you hold your shares in "street name" through a broker, bank or other nominee you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted, which will have the same effect as voting against the Merger Proposal.

If you sign your proxy card and do not indicate how you want to vote, your shares will be voted FOR the Merger Proposal, FOR the advisory Golden Parachute Proposal, FOR the Adjournment Proposal, and in accordance with the recommendations of our Board on other matters properly brought before the special meeting for a vote (provided we do not know, at a reasonable time before the special meeting, of all matters to be presented at the meeting).

Q: When should I cast my vote?

A:

You should complete and mail in your proxy card as soon as possible so that your shares will be voted at the special meeting.

Q: Should I send in my stock certificates or other evidence of ownership now?

A:

No. If the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your shares of Common Stock for the merger consideration. If your shares of Common Stock are held in "street name" by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your "street name" shares in exchange for the merger consideration. **Do not send in your certificates now**.

Q: What if I have lost a stock certificate?

A:

If you have lost a stock certificate, of if it has been damaged or destroyed, then before you will be entitled to receive the merger consideration, you will have to make an affidavit of the loss, theft or destruction. You may also be required to post a bond in a customary amount and upon such terms as may be reasonably required as indemnity against any claim that may be made against Parent or the Surviving Corporation with respect to such certificate. These procedures will be described in a letter of transmittal that you will receive after the effective time of the merger, which you should read carefully in its entirety. See "*The Merger Agreement Payment of the Merger Consideration*" beginning on page 91 of this proxy statement.

Q: What happens if I sell my shares of Common Stock before the completion of the merger?

A:

If you transfer your shares of Common Stock, you will have transferred your right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares of Common Stock through the completion of the merger.

Q: Can I revoke my voting instructions?

A:

Yes. You can revoke your voting instructions at any time before your proxy is voted at the special meeting. If you are a stockholder of record, you may revoke your proxy by notifying our Corporate Secretary in writing at MEMSIC, Inc., Attn: Corporate Secretary, One Tech Drive, Suite 325, Andover, Massachusetts 01810, or by submitting a new proxy by mail, dated after the date of the proxy being revoked. In addition, if you are a stockholder of record, you may revoke your proxy by attending the special meeting. Please note that if you hold your shares in "street name" and you have instructed a broker, bank or other nominee to vote your shares, the above-described options for revoking your voting instructions do not apply, and instead you must follow the instructions received from your broker, bank or other nominee to revoke your voting instructions.

Q: May I vote in person?

A:

Yes. You may attend the special meeting and vote your shares in person, whether or not you sign and return your proxy card(s). If your shares are held of record in "street name" by a broker, nominee, fiduciary or other custodian and you wish to vote in person at the special meeting, you must obtain from the record holder a proxy issued in your name. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thus ensure that your shares will be represented at the special meeting in case you are unable to attend.

Q: What does it mean if I get more than one proxy card or voting instruction card?

A:

If your shares are registered differently or are held in more than one account, you will receive more than one proxy or voting instruction card. Please complete and return all of the proxy cards or voting instruction cards you receive to ensure that all of your shares are voted. Please ensure that you return each proxy card in the return envelope that accompanies such proxy card.

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Q: What is householding and how does it affect me?

A:

The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, but only if the applicable company provides advance notice and follows certain procedures, and to the extent that stockholders have not provided contrary instructions (in which case, each stockholder sharing a household continues to receive a separate notice of the meeting, proxy statement and proxy card). Certain brokerage firms may have instituted householding for beneficial owners of Common Stock held through brokerage firms. If your family has multiple accounts holding our Common Stock, you may have already received householding notifications from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q: Who will count the votes?

A:

A representative of Computershare Trust Company, N.A. will count the votes and act as an inspector of election.

Q: Who can help answer my other questions?

A:

If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact AST Phoenix Advisors, which is acting as the proxy solicitation agent and information agent in connection with the merger.

If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

SPECIAL FACTORS

Background of the Merger

Our Board and senior management have periodically reviewed our long-term strategic plan with the goal of maximizing shareholder value. As part of this ongoing process, our Board and senior management have also from time to time reviewed strategic alternatives that may be available to us.

In January 2012, our Board and management conducted a review of our operations and plans, our recently acquired systems business, and our strategic alternatives. While our 2011 revenue had grown substantially over 2010, this growth was due primarily to sales to a single customer, Samsung. The high concentration of our revenues in the price-sensitive mobile phone market had resulted in steadily declining gross margins, and we had incurred operating losses in each year since our initial public offering. Sales in the system solution business that we acquired in 2010 were declining, and in 2011 we wrote off a significant portion of the goodwill attributable to our acquisition of this business. Since our initial public offering at $10.00 per share in December 2007, our stock price had fallen to a low of $1.50 per share in 2008, and in early 2012 our shares had been trading below $4.00 per share for more than two years. Our Board concluded that it would be prudent to explore the sale of our company, as an alternative to remaining independent, as a means of making value available to our stockholders.

In late February 2012, after interviewing several investment banking firms, our Board engaged RBC to undertake a process to explore our strategic alternatives, including by identifying parties that could potentially acquire our company. RBC is an internationally recognized investment banking firm providing a full range of financial advisory and other services. Our Board selected RBC for this engagement based on its qualifications, expertise, reputation and knowledge of our business and affairs and its experience with semiconductor companies and the industry in which we operate.

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On February 28, 2012, in order to encourage our management and employees to cooperate in our exploration of our strategic alternatives and to consider the prospect of a change in control of our company in an objective manner, our Board resolved that all unvested equity awards made pursuant to our 2007 Stock Incentive Plan and Amended and Restated 2009 Nonqualified Inducement Stock Plan would accelerate upon a change in control of our company.

Over the next five months, representatives of RBC contacted 21 parties that it and our Board considered to be those most likely to be interested in acquiring us. RBC representatives contacted operating companies in the semiconductor industry and related industries, as well as private equity firms. Of the parties contacted by RBC, 17 expressed initial interest in evaluating the potential opportunity. Nine of these companies entered into nondisclosure agreements with us and held introductory due diligence meetings with our management. Dr. Quan Zhou, as a member of our Board, participated in our Board's deliberations and meetings with representatives of RBC throughout this process. IDG did not at this time express an interest in making a bid, and during this period we received no acquisition proposal from any of the parties contacted, or otherwise.

On May 3, 2012, representatives of RBC reported to our Board on the progress of RBC's engagement. In their report, the representatives of RBC reviewed the scope of their engagement and the tasks performed and to be performed by RBC and by management in connection with the process of exploring our strategic alternatives and presented a related timeline for a possible transaction. They also reported on the number and identities of the parties contacted to date in the outreach process and the feedback received from each. A copy of the slide deck for this RBC presentation is included as Exhibit 99.(c)(3) to the Schedule 13E-3 Transaction Statement, as amended (the "Schedule 13E-3"), and is filed with the SEC under the Exchange Act. The representatives of RBC reported that they had contacted thirteen potential acquirors, of which eight stated they had some level of interest in exploring a potential transaction, five had scheduled or were in the process of scheduling management meetings and two had executed nondisclosure agreements. The remaining five parties that had been contacted were not interested in a potential transaction with us.

On May 8, 2012, during our earnings call for the first quarter of 2012, we announced that we expected revenues from our largest customer, Samsung, which accounted for 37% of our sales in 2011, to decrease substantially in 2012. Our stock price dropped 40%, from a closing price of $3.81 on May 8, 2012 to $2.29 on May 9, 2012.

On June 28, 2012, representatives of RBC reported again to our Board and presented an update on the progress of their engagement. A copy of the slide deck for RBC's process update is filed as Exhibit 99.(c)(4) to the Schedule 13E-3. They reported that as of that date, RBC had contacted five additional parties, bringing the total contacted to eighteen, of which fourteen had shown some level of initial interest. Nine of these parties had executed nondisclosure agreements and eight had held meetings with management or conducted some level of follow-up due diligence. RBC had provided bid instruction letters to four of these parties. Of the eight parties that proceeded to management meetings, six had determined not to submit any bid, and the remaining two were still considering whether to bid.

On our earnings call for the second quarter of 2012 on August 2, 2012, we announced that we would pursue a new strategy to diversify our customer base and introduce higher-margin products, which would involve significant near term reductions in revenue and significant increases in research and development and other operating expenses.

On August 3, 2012, our Board concluded that further exploration of a potential sale of our company was unlikely to be fruitful based on the recent deterioration in our business and stock price and the lack of interest in an acquisition from other parties, and on August 9, 2012 we terminated the engagement of RBC.

Over the next seven weeks, our stock price continued to decline steadily, to a closing price of $1.59 on September 28, 2012, close to its historic low of $1.50 in 2008.

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At a regularly scheduled Board meeting on November 6, 2012, Dr. Zhou informed the other directors that IDG was considering making a proposal to acquire us.

On November 10, 2012, our Board received a letter containing a non-binding proposal from IDG-Accel China Growth Fund II L.P., for itself and on behalf of its affiliated funds and certain nominees, to acquire all outstanding shares of our Common Stock that were not then owned by IDG or its affiliates, for cash in the amount of $4.00 per share. The IDG proposal stated that, while IDG did not currently have any agreement, arrangement or understanding with Dr. Zhao or any other member of our management with respect to the proposed acquisition, IDG hoped to work with Dr. Zhao, subject to appropriate oversight by our Board, to formulate a definitive acquisition proposal and to invite Dr. Zhao and other selected members of the senior management of our company to roll over their Common Stock to an acquisition vehicle to be formed by IDG.

On November 10, 2012, our lead director, Mr. Blethen, notified our two other independent directors, Dr. Kaufman and Mr. Tung, of his receipt of the IDG proposal, and they discussed the advisability of forming a Special Committee of the Board to consider and respond to the IDG proposal. Mr. Blethen also telephoned Dr. Yang Zhao, informed him of the IDG proposal, and instructed him, on behalf of the Board, not to communicate with IDG on our behalf concerning the IDG proposal or to engage in discussions concerning his role as a potential equity participant in the transaction.

On November 11, 2012 Messrs. Blethen and Tung and Dr. Kaufman met by telephone with representatives of Foley Hoag LLP ("Foley Hoag"), our counsel. The representatives of Foley Hoag briefed the independent directors on our Board's fiduciary duties under Delaware law in connection with a potential sale of control of our company, including its duty to undertake a process calculated to obtain the best price reasonably available for our unaffiliated stockholders (as such term is defined in this section of the proxy statement, under the subheading "*Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger*"), should the Board determine to pursue a sale of control. The independent directors determined that it would be advisable to form the Special Committee, consisting of our three independent directors, to consider and respond to the IDG proposal and to explore any other strategic alternatives that might be available to us, including a transaction with another financial sponsor or strategic buyer, as well as the option of remaining independent.

The independent directors also agreed that it would be advisable to engage a financial advisor to assist the Special Committee in its evaluation of and response to the IDG proposal and exploration of other alternatives. They agreed that RBC would be well situated to perform this task, in light of its familiarity with us and our business and industry and its knowledge of, and contacts with, potential likely acquirers of our company as a result of the process undertaken earlier in 2012. RBC had performed no services for us other than in connection with its engagement by our Board to explore our strategic alternatives earlier in 2012, and has never performed any services for IDG or any affiliate of IDG. The independent directors authorized Mr. Tung to contact RBC with a view to negotiating the terms of a new engagement for RBC to serve as financial advisor to the Special Committee.

On November 11, 2012, counsel to IDG, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), contacted Foley Hoag. They stated that IDG was mindful of the fiduciary duties of our directors and officers and was also aware of the provisions of Section 203 of the Delaware General Corporation Law, which we refer to as "Section 203," that limits business combinations between Delaware corporations and certain interested stockholders. They indicated that IDG would seek a waiver of Section 203 before reaching any agreement, arrangement or understanding with members of management concerning their willingness to join the buyer group.

On November 13, 2012, our Board, acting by unanimous written consent, appointed the Special Committee, consisting of our three independent directors, Messrs. Blethen and Tung and Dr. Kaufman,

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and delegated to the Special Committee full authority to engage its own financial and legal advisors, review, evaluate and negotiate the terms and conditions, and determine the advisability of the IDG proposal, explore alternatives to the IDG proposal and recommend to our Board what action, if any, should be taken by the Board with respect to the IDG proposal or any alternative proposal or transaction.

Between November 13, 2012 and November 21, 2012, the Special Committee and RBC negotiated the terms of RBC's engagement as financial advisor to the Special Committee.

The Special Committee met on November 14, 2012 with representatives of Foley Hoag and RBC in attendance. The Special Committee discussed with representatives of RBC the process to be followed in order to evaluate the IDG proposal and to determine whether any superior alternative might be available, including the option of remaining independent. The representatives of RBC summarized the results of their prior outreach process and the feedback received from the parties contacted, none of which had submitted a bid. A copy of the slide deck for the RBC process update presentation is filed as Exhibit 99.(c)(5) to the Schedule 13E-3. The Special Committee discussed having RBC contact a number of the parties involved in the prior process to determine whether any of them might be receptive to a new approach in light of the IDG proposal. The representatives of RBC noted that one such party, a financial sponsor referred to herein as Company A, had during our earlier outreach process orally indicated interest in exploring a transaction at a price of up to $4.00 per share, although it never made a formal offer. They also noted that Company B, a high performance analog semiconductor company, had received preliminary materials, but had not met with our management or made a formal offer before our initial outreach process had terminated in August 2012. The representatives of RBC explained to the Special Committee that in a conversation between representatives of RBC and Company B regarding the termination, the representatives of Company B had implied that they might consider a potential bid price in the range of $6.00 per share if Company B decided to pursue a transaction. The representatives of RBC also stated that a second financial sponsor, Company C, had expressed interest in exploring a possible transaction, but that Company C had not conducted any due diligence or made any formal offer at the time the prior process was terminated in August 2012. A copy of the slide deck for the RBC presentation is filed as Exhibit 99.(c)(5) to the Schedule 13E-3. The Special Committee discussed the possibility that Companies A, B or C might be induced to make a bid at a price higher than the $4.00 per share offered by IDG.

The Special Committee noted that our stock price had never recovered from the sharp drop it experienced in May 2012 following our announcement that we expected revenues from our largest customer to decrease substantially, and discussed other factors influencing our stock price, including our generally low gross margins, our dependence on the low-end China cellphone market and the lack of liquidity, limited research coverage and thin trading in the market for our Common Stock. The Special Committee noted that management had announced a new strategy to diversify our customer base and introduce higher-margin products, which would involve significant near term reductions in revenue and increases in operating expenses, and discussed the obstacles to execution of the new strategy and the risk that, even if executed successfully, it might not result in a value for our company that was higher than that offered by the IDG proposal. The Special Committee agreed to enquire of RBC concerning its views of our potential valuation as an independent company.

The Special Committee met on November 16, 2012. The members discussed the negotiation of the RBC engagement letter. The Special Committee also discussed the importance of ensuring that management be reminded of their fiduciary duties to us and our stockholders and given clear instructions regarding their role in the process of exploring the IDG proposal and any others that might be received. The Special Committee requested that counsel prepare a memorandum to be delivered to Dr. Zhao, our Chief Financial Officer, Patricia Niu, and our President of North American and European Operations, Dr. Paul Zavracky, who are our three executive officers, for this purpose.

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The Special Committee also agreed to instruct management to provide to RBC updated projections for 2013 and 2014 reflecting management's new strategy to enable RBC to provide its updated views on our valuation. Mr. Blethen reported that he had informed Dr. Zhou that, given the potential for real or apparent conflicts of interest due to Dr. Zhou's role at IDG and IDG's interest in exploring management's potential participation in its bid, the Special Committee intended to proceed in a cautious and deliberate manner in a process that thoroughly and independently assessed all options. He said that Dr. Zhou understood and concurred in this approach. The representatives of Foley Hoag explained the provisions of Section 203 and their potential application to the IDG proposal to the Special Committee. The Special Committee concluded that it was premature to grant any waiver of Section 203, and instructed counsel to remind management that they were not authorized to enter into discussions with IDG concerning their potential participation in the transaction at that time.

The Special Committee met again telephonically on November 19, 2012, at which time it authorized execution of an engagement letter with RBC on terms discussed at the meeting, which the Special Committee considered to be favorable to us and to provide appropriate incentives to RBC to obtain the highest value available for our stockholders. Representatives of RBC then joined the meeting and the Special Committee discussed the potential value of our company, the likelihood that IDG would be prepared to increase its offer, and strategies that might be employed to achieve such increase. The Special Committee authorized RBC to engage in discussions with IDG concerning its proposal. They also directed RBC to pursue other potential offers, including by reaching out to parties contacted in our earlier outreach process that the Special Committee considered, based on the feedback received by RBC during that process, might be receptive to a renewed approach.

On November 20, 2012, we announced publicly our receipt of the IDG proposal.

Between November 20 and December 5, 2012, representatives of Foley Hoag and Skadden negotiated the terms of a non-disclosure agreement between IDG and us, Skadden presented IDG's legal due diligence request and Foley Hoag and Skadden discussed logistical arrangements for documentary due diligence. The non-disclosure agreement between us and IDG was executed on December 5, 2012.

On November 21, 2012, we entered into a formal engagement letter with RBC with respect to RBC's engagement as financial advisor to the Special Committee. On the same date, the Special Committee met with Dr. Zhao and Ms. Niu to discuss communication with employees, investors and stock market analysts regarding the IDG proposal. The Special Committee also considered the benefits and risks of having RBC approach competitors as potential acquirers, and discussed ways in which we could make available to potential bidders that were also our competitors the confidential information that was required, while providing reasonable protection to us against those who might use such information to our detriment.

Beginning in late November 2012 and continuing into January 2013, representatives of RBC contacted a total of 14 parties that RBC and the Special Committee believed might have some level of interest in the potential opportunity, in addition to IDG. These included 10 companies that had been contacted during the earlier February 2012 process, had demonstrated at least mild interest in the potential opportunity and had provided feedback to representatives of RBC indicating that they might be receptive to a reopening of discussions, including Companies A, B and C. Parties contacted in the earlier process that had passed due to a lack of strategic fit were not recontacted by representatives of RBC. The list of parties contacted by representatives of RBC also included four additional companies, participants in our industry that had not been included in that earlier process. Of the 14 parties contacted, 11 were operating companies in the semiconductor industry and related industries and three were financial sponsors known to have an interest in the semiconductor industry and MEMS technologies. As discussed further below, in the end none of these parties submitted a bid or acquisition proposal.

On November 26, 2012, members of management spoke by telephone with representatives of Company A for preliminary due diligence.

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The Special Committee met next on November 30, 2012. Mr. Blethen reported that RBC was seeking to arrange meetings in California with four potentially interested parties, including Companies A and B as well as two other potential strategic acquirers: a manufacturer of industrial products and equipment, Company D; and a provider of MEMS-based motion processing products for consumer electronics, Company E.; The Special Committee was aware of the potential for a conflict of interest due to IDG's proposal to include members of senior management in its bidder group, and was also aware that Dr. Zhao had expressed concerns about entering into negotiations with companies that were our competitors. To ensure a fair and robust bidding process, the Special Committee decided that a member of the Special Committee and/or representatives of RBC would accompany management representatives and attend each of the scheduled meetings in California along with the representatives of management. A member of the Special Committee and/or a representative of RBC attended every scheduled meeting with prospective bidders thereafter. The Special Committee also agreed that Dr. Zhao should be reminded of the importance of his maintaining a neutral stance in his communications with bidders on our behalf.

Over the weekend of December 1 and 2, 2012, representatives of Company A had a second due diligence discussion by telephone with Dr. Zhao.

On December 5, 2012, the Special Committee met to discuss preparations for the scheduled meetings with Companies A, B, D and E. At that meeting, the Special Committee also reviewed a recommendation by Foley Hoag that the Special Committee engage special Delaware counsel to advise the Special Committee with respect to its work. The Special Committee concurred and undertook to explore candidates.

On December 6 and 7, 2012, representatives of RBC, the Special Committee and members of management held due diligence meetings in California with Companies B, D and E. Companies A, B, D and E, and all other parties contacted by RBC that proceeded to exploratory due diligence, were provided with a slide deck that included, among other things, our historical financial information and management's preliminary operating budget for 2013 (see "*Prospective Financial Information*" in this section of the proxy statement). Company A cancelled its scheduled meeting. Representatives of RBC and the members of management made presentations regarding our business and prospects, including our new strategy to diversify our customer base and introduce higher-margin products, and responded to questions from the prospective bidders.

The Special Committee convened its next meeting on December 10, 2012, with representatives of Foley Hoag and Richards, Layton & Finger, P.A. ("RLF") in attendance. The Special Committee approved the appointment of RLF as special counsel to the Special Committee. The Special Committee selected RLF due to its reputation, expertise in mergers and acquisitions and extensive knowledge of Delaware law. RLF had previously provided no services to us or to IDG. The Special Committee discussed the meetings that had taken place with Companies B, D and E. The Special Committee discussed the status of RBC's valuation analysis, noting that RBC was working with management, including our executive officers, to obtain a longer term forecast reflecting management's current strategy. The Special Committee considered that an updated forecast and valuation analysis would be useful in assisting the Special Committee in seeking to negotiate a higher price from IDG or another potential bidder and in evaluating our stand-alone prospects.

Later on December 10, 2012, a telephonic due diligence meeting between us and representatives of IDG and RBC was held, with members of the Special Committee in attendance. At the meeting, management and representatives of RBC made presentations to IDG regarding the strategic benefits of acquiring us and responded to questions from IDG.

The Special Committee met on December 14, 2012 to receive a report on the December 10 meeting with IDG. Representatives of RBC also orally summarized for the Special Committee the feedback RBC had been receiving from the parties it had contacted. The feedback was not positive.

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Company A had informed RBC that it would not submit a bid, based on several factors, including our financial performance and valuation and concerns about the consumer market, competitive pressures and strategic fit and about compatibility between Company A and our senior management. Company B stated that it was not interested in our consumer and mobile businesses, was skeptical about the prospects for our automotive and industrial businesses, and was concerned that the Company's gross margins were too far below Company B's gross margins. Company D was initially interested but it was now unclear whether they would engage in follow-up discussions with RBC. Company E was not interested in the consumer business and was concerned about our financial performance. All potential bidders were interested in retaining the management team and, in particular, Dr. Zhao. Companies A and D identified their lack of confidence in being able to retain the services of our management team following an acquisition of us as a factor in their decision not to submit a bid. Representatives of RBC reported that these responses were similar to feedback we had received from prospective purchasers contacted in RBC's unsuccessful outreach effort earlier in 2012.

On December 16, 2012, representatives of RBC contacted Company C, as well as Companies F and G, a provider of mixed signal and analog semiconductors and a manufacturer of electronic components, respectively, to ascertain their interest in entering into discussions with respect to possibly acquiring us. By December 20, 2012 each of these companies advised RBC that it was not interested due to a lack of fit with its strategic or investment priorities. Companies H and I, a financial sponsor and a semiconductor manufacturer, respectively, each of which had been contacted in late November, 2012 by representatives of RBC, also withdrew from the process at this time, with the former citing insufficient knowledge of the industry and the latter citing a lack of strategic need to acquire us.

The Special Committee convened a meeting on December 18, 2012 at which representatives of RBC, RLF, Foley Hoag and RBC's counsel, O'Melveny & Myers LLP ("OMM") were present. Representatives of RBC first summarized the outreach process conducted earlier in 2012 and its subsequent contacts with potential bidders. In total, nine initial potential parties other than IDG had been identified and contacted by RBC subsequent to our receipt of the IDG proposal. Of these, eight expressed initial interest; four, consisting of Companies A, B, D and E, had met with management; and, as of December 17, 2012, all nine of the contacted parties had either declined to participate or had formally withdrawn from the process after initial discussions. A copy of the slide deck for the RBC presentation at the December 18, 2012 meeting is filed as Exhibit 99.(c)(6) to the Schedule 13E-3.

The Special Committee reconvened on December 19, 2012 along with representatives of RBC, RLF, Foley Hoag and OMM, at which time RBC representatives discussed our estimated financial results for 2012 and our preliminary projections for 2013 and 2014 (see " *Prospective Financial Information*" in this section of the proxy statement). The projections for 2013 were consistent, in terms of revenues and gross margins, with the preliminary operating budget for 2013 included in the slide deck provided to potential bidders. The preliminary projections called for 11% revenue growth with modest gross margin improvement in 2013, accompanied by a 20% increase in operating expenses, resulting in a projected non-GAAP operating income in 2013 that was 45% lower than the projected 2012 non-GAAP operating income. Revenue in 2014 was projected to grow at a significantly greater rate, to $89 million, and EBITDA was projected to improve to $6.5 million. The Special Committee members noted that, in recent years, management had repeatedly missed internal projections based on similar plans for rapid improvement in our financial performance. Representatives of RBC and the Special Committee discussed the preliminary projections and the material risks inherent in them, including the difficulty of predicting financial results from new products and markets toward which we were still transitioning, and the possibility that larger than expected sales and marketing expenditures would be necessary to achieve management's aggressive revenue growth projection.

Representatives of RBC presented orally the results of their preliminary analysis of our valuation on a stand-alone basis using the estimated financial results for 2012 and the preliminary projections for 2013. Using comparable companies identified on the basis of their financial performance and profiles,

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RBC's analyses indicated revenue and EBITDA multiples that implied a value per share of approximately $2.50 to $3.80. RBC's comparable precedent mergers and acquisitions analysis indicated valuations of approximately $3.70 to $4.50 per share. Representatives of RBC made it clear that the preliminary projections were still under development by the Company, that RBC's analysis was preliminary and did not represent a formal opinion of RBC, and that RBC's analysis had not been approved by its fairness opinion review committee. The Special Committee discussed this information and asked questions of the RBC representatives. The Special Committee also discussed risks to us and our stockholders if IDG were to withdraw its bid and its fiduciary duties with respect to that possibility. The Special Committee agreed to meet again on December 21, 2012 to decide on a formal response to the IDG proposal. RBC undertook to provide a written summary of its preliminary analysis for consideration by the Special Committee at that meeting, which it did on December 20, 2012.

On December 19 and 20, 2012, representatives of RBC contacted three semiconductor manufacturers, Companies J, K and L, to ascertain their interest in entering into discussions regarding a possible acquisition of us. These companies, each of which had been contacted and conducted exploratory due diligence on us in the earlier outreach process and had decided not to submit any acquisition proposal at that time, each advised RBC that it still was not interested in acquiring us.

On December 21, 2012, the Special Committee met with representatives of RLF and Foley Hoag present. The Special Committee reviewed our estimated financial results for 2012, preliminary financial projections for 2013 and 2014, and the written presentation from representatives of RBC, dated December 20, 2012, concerning RBC's preliminary analysis of our valuation that confirmed the oral presentation at the December 19, 2012 meeting. A copy of the RBC presentation dated December 20, 2013 is filed as Exhibit 99.(c)(7) to the Schedule 13E-3. Representatives of RBC also reported on the results of RBC's outreach effort and the feedback received from the parties contacted, stating that at this time IDG was the only party that remained engaged in the process. The Special Committee instructed RBC to communicate to IDG that the Special Committee was prepared to enter into further discussions with IDG, but that IDG's proposed $4.00 price per share was not a "preemptive price" that would justify entering into exclusive negotiations with IDG or waiving Section 203 to enable IDG to commence discussions with our management team. The Special Committee instructed RBC to encourage IDG to reconsider its views on valuation.

On December 23, 2012, representatives of RBC spoke with representatives of IDG to deliver the message discussed at the last Special Committee meeting. IDG responded that it would be unable to increase its bid before hearing the Special Committee's views on valuation and that it wanted to move forward with due diligence. On December 24, 2012, IDG, through its counsel, renewed its request for a waiver of Section 203.

On December 27, 2012, representatives of RBC and IDG spoke again telephonically during which conversation representatives of RBC led IDG through their views on market valuations potentially justifying a higher price. IDG again indicated that it would like to begin due diligence and meet with our management.

On December 28, 2012, the Special Committee met by conference call to discuss the fact that IDG had contacted Mr. Blethen regarding starting due diligence, who had responded that the Special Committee would consider providing limited due diligence focused on items relevant to valuation that would assist IDG in improving its bid. Representatives of RBC reported that IDG had responded to RBC that IDG's offer was "fully valued" and provided a significant premium, and that IDG did not feel that it was under competitive pressure to increase its bid. The Special Committee discussed the risk that IDG might decrease or withdraw its offer if the process did not move at a reasonable pace and considered ways to incentivize IDG to offer a higher price.

Between January 1, 2013 and January 8, 2013, representatives of RBC had a series of telephone conversations with IDG in which they provided to IDG their views on market valuation and relevant comparables and precedent transactions. IDG provided a preliminary due diligence request list and also requested a tour of our facility in Wuxi, China and meetings with our personnel there.

On January 9, 2013, the Special Committee held a meeting with representatives of RLF and Foley Hoag present. The Special Committee discussed our prospects and value as an independent business and management's assumptions and expectations used in the management forecasts given to RBC for RBC's valuation analysis, and subsequently given to IDG. Foley Hoag and RLF explained the process and likely timeline for negotiating definitive agreements with IDG or any other party, and the Special Committee also discussed the risk of disruption to our business and distraction of management that could result from a lengthy course of negotiations.

On January 11, 2013, our Board held a regularly scheduled meeting to review our preliminary financial results for the fourth quarter of 2012 and management's proposed operating budget for 2013. Management presented a revised 2013 operating budget, which was consistent in terms of revenues and gross margins with the preliminary operating budget for 2013 that had been included in the slide deck provided to potential bidders, but provided for a reduced level of planned operating expenses, with a view to reducing the operating loss reflected in the preliminary operating budget for 2013. Management also responded to numerous questions from the directors concerning the assumptions used in developing the revised 2013 operating budget.

Later on January 11, 2013, the Special Committee received a presentation from members of management, including Dr. Zhao, who demonstrated to the Special Committee how management had been presenting us to potential bidders and discussed with the Special Committee how those potential bidders had responded to the presentations. Management was then excused and representatives of RBC joined the meeting. Representatives of RBC reported that they were working with management to prepare responses to IDG's initial due diligence questions, including a request for projections through 2016, and to schedule in-person meetings and a tour of the Wuxi facility for IDG. This set of meetings was scheduled for January 28, 2013. Representatives of RBC stated that IDG did not appear willing to increase its bid. Representatives of RBC also reported that another financial institution had contacted RBC about a manufacturer of electronic components, Company M, which was possibly interested in a strategic transaction with us. It was agreed that RBC should quickly engage with Company M while continuing to seek a higher price from IDG.

During the week of January 14, 2013, representatives of RBC initiated contact with Company M. They also approached Company N, a provider of microcontroller, mixed-signal, analog and memory products that had first been contacted during RBC's earlier outreach process. Each of these companies expressed interest in exploring a possible transaction, and between January 14 and February 19, 2013, representatives of RBC and members of management engaged in exploratory due diligence discussions with Companies M and N, which included meetings attended by our personnel, and representatives of RBC and Company M at our facility in Wuxi.

On January 17, 2013, representatives of RBC provided responses to IDG's due diligence requests and delivered to IDG management projections that covered 2013 by quarter and the full years 2014 through 2016, as discussed in this section of the proxy statement under the subheading *" Prospective Financial Information."* The projections were consistent in all material respects with those for 2013 that had been discussed with the Special Committee at its January 11, 2013 meeting, and included revised projections for 2014 and projections for 2015 and 2016 that had been developed by management earlier in January.

On January 21, 2013, representatives of RBC informed IDG that we were in discussions with two other companies that were interested in a potential transaction with us. IDG indicated that it might be willing to reconsider its price after the January 28, 2013 meeting with management in Wuxi.

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On January 23, 2013, the Special Committee met with representatives of RBC, Foley Hoag and RLF present. Representatives of RBC reported on the progress of discussions with Companies M and N.

On January 28, 2013, representatives of each of RBC and our management, and other of our personnel, met with IDG in Wuxi for due diligence discussions and a tour of our Wuxi facility, and between January 28 and February 8, 2013, representatives of RBC and our management responded to further due diligence requests from IDG.

On January 31, 2013, Company N withdrew from the process, stating that despite their positive reaction to the management presentations and to the potential strategic fit with Company N, they could not offer a valuation competitive with the $4.00 IDG proposal.

On February 12, 2013, IDG submitted to RBC a revised acquisition proposal at a price of $4.15 per share, accompanied by IDG's proposed form of agreement and plan of merger.

On February 15, 2013, the Special Committee met to discuss IDG's revised proposal. Representatives of RBC presented an analysis of the financial terms of the revised IDG proposal, noting that it represented a premium of approximately 139% over our unaffected stock price as of November 20, 2012, the last trading day before our announcement of the initial IDG proposal, and an implied enterprise value for our company of $63.3 million, compared with an enterprise value of $0.2 million based on our unaffected stock price as of November 20, 2012. The RBC report did not include any recommendation or valuation analysis or state any opinion as to the fairness of the revised $4.15 price proposed by IDG. A copy of the slide deck for RBC's presentation at the February 15, 2013 meeting is filed as Exhibit 99.(c)(8) to the Schedule 13E-3. IDG's meetings with our management and certain of our other employees in Wuxi as well as our meetings in Wuxi with Company M and the feedback received from Company N. They noted that Company M's interest seemed to have cooled since the meetings in Wuxi, based on concerns about compatibility with management and Company M's ability to retain the services of our management team after the acquisition. RBC's representatives agreed to, and did subsequently, discuss with Company M the desirability of Company M taking steps to incentivize management to remain with the company after a change in control. The Special Committee again weighed the relative merits of us remaining independent, and in particular whether remaining independent would result in an equal or better value for stockholders than taking the offer from IDG. The Special Committee agreed that it would be advisable to fully gauge the interest of Company M before responding to IDG.

On February 16, 2013, Mr. Blethen spoke with a representative of Company M to encourage Company M to submit an acquisition proposal. The Company M representative stated that Company M was not confident of its ability to retain the services of our full management team after the acquisition, and on February 19, 2013, Company M informed the Special Committee that it was not interested in continuing discussion concerning a transaction.

On February 20, 2013, the full Board met in Andover, Massachusetts without Dr. Quan Zhou. The purpose of the meeting was for management to formally present our revised strategy, discuss our prospects as a stand-alone company and review management's projections for 2013 through 2016 prepared for use by RBC and delivered to IDG. A lengthy discussion ensued, in which the directors questioned management, including Dr. Yang Zhao, at length about management's strategy and the assumptions underlying the projections and the risks and obstacles to achieving them. The directors present considered the projections to represent more of a statement of management's goals than an estimate having a high degree of reliability. They were skeptical to varying degrees about the likelihood of attaining the results predicted in the projections, for a number of reasons, including that:

- our management has limited experience in generating accurate long range forecasts of our future performance;

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the projections called for a near doubling of revenue from 2012 to 2016;

the projected growth in revenue relied substantially on new products, the development and launch of which are subject to numerous uncertainties and are often delayed;

the projected growth in revenue also depended on significant penetration of new markets and the success of as-yet unknown customers in commercializing their systems incorporating our products;

in particular, the projections depended on higher sales in the industrial market, which has lengthy product design and sales cycles and is difficult to penetrate, and with which we have had limited experience;

the improved profitability reflected in the projections would require significant improvements in our gross margins which might not materialize, and could also be adversely affected if our planned entry into new markets should require greater sales and marketing expenses that were predicted in the projections; and

the mobile telephone and consumer electronics markets, upon which the projections continued to rely in significant part, are volatile, price sensitive and move very quickly, making accurate long-term projections difficult.

Taking these factors into consideration, Dr. Zhao stated that in his opinion the probability of our fully achieving the projections was less than 50-50.

Later that day, the Special Committee met separately to discuss its response to the revised IDG proposal. The Special Committee agreed that management's presentation and discussion with the Special Committee had been thorough, covering management's plans and strategies for the business and obstacles to their achievement, management's expectations regarding our anticipated revenues, major account opportunities and product development plans and its views of the risks and opportunities affecting our business prospects. The Special Committee agreed that it was not likely that we would exceed the projected revenues or earnings reflected in management's plan, which would be necessary in the Special Committee's view to make remaining independent a better option than being acquired at the $4.15 per share offered by IDG. After receiving further advice from its counsel on their fiduciary duties, the Special Committee members agreed that the revised IDG offer was sufficiently attractive to proceed with further negotiations. The Special Committee instructed RBC to counter IDG's new offer with a proposed price of $4.50 per share.

Representatives of RBC conveyed the Special Committee's counterproposal to IDG on February 21, 2013.

On February 23, 2013, IDG communicated to representatives of RBC a revised proposal, in which it offered to acquire us at a price of $4.35 per share. The revised offer, which IDG stated was its best and final offer, was conditional upon the Special Committee promptly waiving Section 203 and providing access to management to allow IDG to commence discussions with management of its participation in the proposed merger. IDG stated that if it was granted that access it could move very quickly to complete negotiations and sign a definitive merger agreement.

On February 24, 2013, the Special Committee met to discuss the revised $4.35 offer. The Special Committee discussed certain key terms still being negotiated in the merger agreement. These terms included the scope of IDG's commitment to provide financing for the transaction, IDG's desire to provide for a minimum amount of cash on our balance sheet as a condition to its obligation to close, the definition of the term "Material Adverse Effect" and the availability of specific performance as a remedy, each of which the Special Committee considered to be important because it could adversely affect the certainty of deal closure, as well as the treatment of employee equity awards in the merger.

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The Special Committee again met on February 25, 2013 with representatives of RLF, Foley Hoag and RBC. The Special Committee considered the history of its negotiations with IDG and whether IDG could be induced to make a higher offer and concluded that in all likelihood $4.35 per share represented IDG's best and final offer. They also considered our prospects as an independent company following the new strategy announced by management, and the long-term revenue and earnings potential reflected in management's four-year projections. The Special Committee believed that the new strategy was unproven and subject to significant execution risk, and that improvement in our sales and profitability at the rate and of the magnitude predicted in the four-year projections was not likely. Notwithstanding that assessment, the Special Committee considered whether, if the four-year projections were accepted at face value as representing a "best case" estimate of our long-term financial performance as a stand-alone company, remaining independent would be superior from a financial point of view to the merger price of $4.35 per share offered by IDG, payable immediately in cash, and concluded that it would not. The Special Committee therefore agreed that IDG should be informed that the $4.35 price was acceptable in principle, and the Special Committee would be prepared to grant the requested Section 203 waiver, provided that the key issues in the proposed merger agreement that had been discussed at the February 24 meeting could be resolved in a satisfactory manner. These points were conveyed to IDG, along with our proposed mark-up of the related sections of the proposed merger agreement, on February 26, 2013.

Between February 26, 2013 and March 13, 2013, discussions continued among the Special Committee, representatives of RBC, IDG and their respective counsel concerning these issues.

Our full Board held a regularly scheduled meeting on March 1, 2013. At this meeting, management, including our executive officers, reported on our operations and our progress towards implementing management's new strategy. They informed the Board that the sales outlook for 2013 had deteriorated for a variety of reasons, and provided a revised sales forecast for the first quarter and full year of $13.1 million and $68.7 million, respectively. These figures were materially lower than management's prediction of $15.4 million for the first quarter and $72.1 million for the full year that had been provided to IDG and other bidders.

Later that day the Special Committee met to discuss the progress of negotiations with IDG.

On March 6, 2013, IDG, through its counsel, again renewed its request for a waiver of Section 203.

On March 8, 2013 during our earnings call for the fourth quarter of 2012, we announced revenue guidance for the first quarter of 2013 of between $11 million and $12 million, compared with sales of $20 million in the first quarter of 2012. Following this call, each of the two research analysts that follow us substantially reduced his 2013 revenue estimate for us and increased his estimate of our losses for the year.

On March 11, 2013, the full Special Committee again met, along with representatives of RLF and Foley Hoag. Foley Hoag and RLF reported that reasonable progress had been made toward resolving the key merger agreement terms that had been under discussion. The Special Committee concluded that at this point it would be beneficial to our stockholders to waive Section 203 to permit IDG to hold discussions with Dr. Zhao and other members of management concerning their willingness to join the IDG buyer group with respect to IDG's $4.35 offer, and to provide IDG with the additional due diligence it was requesting, so as to enable IDG to firm up its proposal regarding its financing commitment. Pursuant to the authority delegated to it by the full Board at the time of its formation, the Special Committee resolved to waive Section 203 with respect to IDG's $4.35 offer as to our executive officers and IDG was notified to that effect.

On April 4, 2013, the Special Committee resolved to waive Section 203 with respect to additional specified employees of the Company. Also on April 4, 2013, the Special Committee determined that, to

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facilitate the prompt completion of negotiations between us and IDG, it would be in the interest of our unaffiliated stockholders for us to reimburse up to $50,000 attorneys' fees incurred by the management group in connection with their negotiations with IDG concerning the terms on which they would roll their existing equity interests in us into equity in the acquiring entity. This amount was subsequently increased by the Special Committee to $70,000 on April 12, 2013. Between March 11, 2013 and April 22, 2013, members of management, Wilmer Cutler Pickering Hale and Dorr LLP, as special counsel to our executive officers ("WilmerHale"), IDG and Skadden negotiated concerning the manner in which members of management would participate as equity investors in the acquisition vehicle to be organized by IDG for purposes of the merger. There were no negotiations between IDG and our executive officers prior to the execution of the Merger Agreement regarding their remaining employed by our company following the merger.

On March 13, 2013, IDG and its counsel were provided with access to an electronic data room that had been established by us for purposes of conducting documentary due diligence, and between March 13 and April 22, 2013 IDG continued its due diligence investigation.

On March 17, 2013, Foley Hoag transmitted to Skadden the Special Committee's comments on the draft merger agreement, and between March 17, 2013 and April 22, 2013, Foley Hoag, RLF and Skadden negotiated the terms of the merger agreement and other related definitive agreements.

On March 20, 2013, the Special Committee met, with representatives of RBC, RLF and Foley Hoag in attendance. At this meeting, the Special Committee discussed the recent downward movement in the trading price of the shares of our Common Stock, and agreed that they were unaware of any adverse developments relating to the potential transaction that might explain this movement. The Special Committee also discussed the progress of negotiations with IDG.

On March 21, 2013, IDG contacted RBC and informed RBC that our reduced revenue projection for the first quarter of 2013, as reflected in our publicly-issued guidance on March 8, 2013, had raised significant concern on the part of IDG about our 2013 outlook as a whole, and that that in IDG's view, this negatively affected our valuation. IDG indicated that it would likely propose a new, lower price for the deal.

After conferring with the Special Committee, representatives of RBC held telephone conversations with representatives of IDG on March 22 and March 26, 2013 in which RBC conveyed a message to IDG, on behalf of the Special Committee, that a price decrease at this point in negotiations would not be well received by the Special Committee and could put the deal at risk.

On March 26, 2013, the Special Committee met, with representatives of RBC, RLF and Foley Hoag in attendance. At this meeting, the Special Committee discussed IDG's indication that it would likely propose a new, lower price for the deal, the Special Committee's potential response to that indication, and the progress of negotiations more generally.

On March 27, 2013, the Special Committee met, with our executive officers in attendance. The Special Committee repeated its prior instructions to Dr. Zhao, Ms. Niu, and Mr. Zavracky that, in connection with the negotiations with IDG, their only role was to negotiate the terms of their individual agreements with IDG relating to the roll-over of certain management equity interests. The Special Committee also encouraged management to ensure that this issue would not delay the completion of a definitive agreement, should the Special Committee determine that such an agreement is advisable and in the best interest of us and our stockholders.

On April 1, 2013, IDG formally communicated to RBC a revised price proposal of $4.10 per share. IDG indicated that it decreased the offer price based on, among other things, the following factors: our financial results for 2012 and the fourth quarter of 2012, which indicated continued deterioration in our business compared with previous projections; our revenue guidance for the first quarter of 2013, which indicated that our revenues would be significantly lower than in the projections provided to IDG in

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January 2013, casting doubt on the projections for the full year 2013; and the fact that our stock price was falling precipitously, despite investors' awareness of IDG's previously announced $4.00 per share offer. IDG also indicated that it was willing to move expeditiously to finalize the definitive documentations subject to the Special Committee's prompt consideration of the revised offer price.

On April 2, 2013 the Special Committee met, with representatives of RBC, RLF and Foley Hoag present, to discuss the status of the negotiations over the definitive agreements and a response to IDG's price reduction proposal. Foley Hoag and RLF informed the Special Committee that several important issues remained to be resolved in the merger agreement, including the circumstances of payment of the termination fee payable by us in certain events and the amount of the reverse termination fee to be received by us in certain events. They also reported that IDG and management did not yet appear to have reached resolution on the roll-over of their outstanding equity awards and participation in the merger.

On April 3, 2013, representatives of RBC, at the direction of the Special Committee, informed IDG that the $4.10 price was unacceptable and that the Special Committee would not entertain any discussion of a change in price until all other terms of the definitive agreements and IDG's arrangements with management had been finalized.

Between April 3, 2013 and April 16, 2013, Skadden, Foley Hoag, RLF and WilmerHale continued to exchange revisions of the definitive agreements, and the Special Committee held telephone meetings on April 4, April 12 and April 16, 2013 to review the progress of these negotiations.

In its meeting on April 16, 2013, the Special Committee received reports from representatives of RBC, Foley Hoag and RLF on the status of the negotiations and remaining open issues. The members of the Special Committee acknowledged that IDG's demand for a lower price was understandable in light of our reduced revenue projection for 2013 and discussed the possible effect on our stock price of announcing that the IDG proposal had been rejected or withdrawn. After extensive discussion, the Special Committee resolved to communicate to IDG a counterproposal for the resolution of all open issues, which included a price of $4.30 per share, a reverse termination fee of 4% of transaction value, and a termination fee of 2% of transaction value, reduced by the amount of any expenses to be reimbursed by us, to be capped at $700,000. This proposal was conveyed by representatives of RBC to IDG.

On April 16 and 17, 2013, further negotiations occurred directly between Mr. Blethen and IDG, as a result of which IDG made a final oral offer of $4.225 per share in cash, and IDG also accepted the Special Committee's position on the other outstanding terms.

On April 18, 2013, the Special Committee met again, with representatives of Foley Hoag and RLF, to discuss the progress of negotiations. Mr. Blethen reported on his direct negotiations with IDG, and the Special Committee discussed IDG's offer and the open issues in the merger agreement. Following discussion, the Special Committee agreed in principle that $4.225 per share in cash, subject to IDG accepting the Special Committee's position on the other outstanding terms, was acceptable. The Special Committee directed Mr. Blethen to convey this message to IDG, and directed counsel to deliver to IDG a final draft of the merger agreement, reflecting the terms discussed.

Between April 18 and April 22, 2013, representatives of Foley Hoag, RLF and Skadden completed the preparation of the definitive Merger Agreement, the Equity Commitment Letter (as such term is defined in the Merger Agreement and described in this section of the proxy statement under the subheading " *Financing,*" beginning on page 68), the Limited Guaranty and the Voting Agreement and Skadden and WilmerHale completed the preparation of the definitive Contribution Agreement (as such term is defined in the Merger Agreement and described in this section of the proxy statement under the subheading " *Financing,*" beginning on page 68), among IDG, our executive officers and certain other members of our management.

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On April 22, 2013, the Special Committee met, along with representatives of RLF, Foley Hoag and RBC, to consider the definitive Merger Agreement and related agreements. Following a presentation by the Foley Hoag representatives, the Special Committee considered the key terms of the Merger Agreement, the Limited Guaranty and the Equity Commitment Letter, including in particular the terms of the non-solicitation covenant, the size of the termination fee, the ability to pursue superior offers or change the Board's recommendation under specified conditions, IDG's matching rights, the parties' remedies for breach, the provisions relating to the Parent Termination Fee, the terms under which the parties could terminate the Merger Agreement and the fees and expenses that would or might become payable upon or following termination.

The RLF and Foley Hoag representatives then reviewed with the members of the Special Committee the fiduciary duties of our Board in connection with a decision to sell our company. The Special Committee considered the thoroughness of the sale process that RBC had conducted, the number of parties contacted since early 2012, the number of parties that conducted exploratory due diligence and the nature of their responses, the fact that, apart from IDG, no other party had submitted a formal bid at any price, and the unlikelihood, in its view, that IDG would be willing to agree to any higher price than $4.225 per share. The Special Committee considered whether the alternative of remaining a stand-alone company, in lieu of a sale, would offer better value to stockholders, and, in this connection, considered its prior discussions of our financial performance and stock price over recent periods, and its assessment of the probability that management's current strategic plan could be successfully executed and that management's related projections of our financial performance over the next four years could be attained.

The representatives of RBC reviewed with the Special Committee RBC's financial analyses of the proposed transaction and, after discussion with the members of the Special Committee, delivered RBC's oral opinion, subsequently confirmed in writing, that, as of April 22, 2013, based upon and subject to the various assumptions, procedures, factors, qualifications and limitations set forth in the written opinion, the cash merger consideration of $4.225 per share to be received by holders of shares of our Common Stock (other than the Rollover Holders) pursuant to the Merger Agreement was fair, from a financial point of view, to such stockholders.

Following these presentations and the related discussions, the Special Committee unanimously determined to recommend to our Board that it approve the $4.225 per share price and the other terms of the transaction.

Immediately following this meeting, a meeting of our full Board was convened, with all members of the Board participating in person or telephonically. The Special Committee presented its recommendation, whereupon the Board, with Drs. Zhao and Zhou abstaining and all other members voting in favor, determined that the Merger Agreement was advisable and in the best interests of our company and our stockholders, unanimously approved the merger in accordance with the DGCL, and unanimously recommended that our stockholders vote in favor of adoption of the Merger Agreement.

Later that evening, we, Parent and Merger Sub executed the Merger Agreement and Sponsor delivered the executed Limited Guaranty and Equity Commitment Letter.

On April 23, 2013, we issued a press release announcing the execution of the Merger Agreement.

Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger

The Special Committee has unanimously determined that the merger, on the terms and subject to the conditions set forth in the Merger Agreement, is fair to, and in the best interest of, our company and our unaffiliated stockholders.

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Additionally, the Special Committee unanimously approved the Merger Agreement and the transactions contemplated thereby (including, without limitation, the merger), determined that the Merger Agreement and the transactions contemplated thereby are advisable and in the best interests of, and fair to, our company and our stockholders, and recommended that our Board:

- approve and declare advisable the Merger Agreement and the transactions contemplated thereby (including the merger);
- declare that it is in the best interests of our stockholders that we enter into the Merger Agreement and consummate the transactions contemplated thereby on the terms and subject to the conditions set forth in Merger Agreement;
- submit the Merger Agreement to our stockholders for adoption;
- recommend that our stockholders adopt the Merger Agreement and approve the consummation of the transactions contemplated thereby; and
- approve the Merger Agreement, the Limited Guaranty, the Equity Commitment Letter, the Contribution Agreement and the Voting Agreement and the transactions contemplated thereby for purposes of Section 203.

Based upon the unanimous recommendations of the Special Committee, our Board unanimously (with Drs. Zhao and Zhou abstaining):

- determined that the merger, on the terms and subject to the conditions set forth in the Merger Agreement, is fair to, and in the best interest of, our company and our unaffiliated stockholders;
- approved and declared advisable our execution, delivery and performance of the Merger Agreement and the consummation of the transactions contemplated thereby (including the merger); and
- recommended that our stockholders vote for the Merger Proposal.

Determinations of the Special Committee

In approving the Merger Agreement and making its recommendations to our Board, the Special Committee, acting with the assistance of its legal and financial advisors, considered various factors relating to us, our business and prospects, the risks and challenges we faced, and the terms and conditions of the Merger Agreement and the transactions contemplated thereby, including the merger. In the view of the Special Committee, all of these factors generally supported the Special Committee's approval of the Merger Agreement, its aforementioned recommendations to our Board, and the Special Committee's belief that the merger is fair to our unaffiliated stockholders. In reaching its conclusions and making its recommendations to our Board, the Special Committee considered factors including, but not limited to, the following (which factors are not presented in any relative order of importance):

- the advice of the Special Committee's independent legal counsel, RLF, regarding the fiduciary duties of the members of the Special Committee under applicable Delaware law;
- the rules and procedures adopted by the Special Committee and agreed to by Parent and IDG with respect to their pursuit of their acquisition proposal and their interactions with us and our management, with the objective of achieving an even-handed, orderly and efficient process, directed, monitored and controlled by the Special Committee, for considering the proposal of Parent and IDG as well as other acquisition proposals that might be submitted to us;

the fairness opinion of RBC, the Special Committee's financial advisor, that, as of the date of such opinion, and based upon and subject to the considerations, assumptions, limitations, qualifications and other matters set forth therein, the merger consideration to be received by the holders of our Common Stock (other than the Rollover Holders) was fair, from a financial point of view, to such stockholders, as more fully described in this section of the proxy statement under the subheading entitled " *Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration,*" beginning on page 45;

the financial analyses and presentations provided by RBC to the Special Committee, including the presentation of the analyses underlying the fairness opinion of RBC, described in this section of the proxy statement under the subheading entitled " *Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration,*" beginning on page 45;

the current and historical market prices of our Common Stock, and the fact that the merger consideration represented a premium of approximately 56% to the closing market price of our Common Stock on April 22, 2013, the last trading day before the public announcement of the signing of the Merger Agreement, as well as a premium of approximately 143% to the closing market price of our Common Stock on November 20, 2012, the last trading day before we announced that we had received a non-binding proposal from IDG-Accel China Growth Fund II L.P., one of the IDG Funds, to acquire us for $4.00 per share;

that the Special Committee unanimously believed the merger consideration was more favorable to our unaffiliated stockholders than the potential value that might result from other alternatives reasonably available to us, including the alternative of remaining a stand-alone public company, in light of a number of factors, including the risks and uncertainty associated with those alternatives;

in this regard, the Special Committee considered the facts that our largest customer, Samsung, had, in early 2012, significantly reduced its purchases of our products; that for the full year 2012, sales had declined in each of our three largest markets, not only in the mobile phone market that was adversely affected by our loss of business from Samsung, but also in our markets for automotive and industrial applications, while only our smallest and most volatile market, for consumer applications, experienced growth; that we had recently adopted a new strategy to diversify our customer base and introduce higher-margin products, which strategy was as yet unproven and would involve significant near term reductions in revenue and significant increases in research and development and other operating expenses; that, following the announcement of the foregoing developments, our stock price had declined and remained at a level significantly below the $4.225 per share merger consideration, a development that the Special Committee did not consider merely a temporary phenomenon, but rather a market response to longer-term trends in our business that would require a change in strategy to reverse; that any estimate of our results of operations under our new strategy was subject to substantial execution risk and uncertainty; that for the first quarter of 2013, revenues declined in all four of our markets, to a total of $11.4 million, or 57% of the total in the comparable period in 2012, and significantly below our management's preliminary operating budget for 2013; that since our initial public offering in 2007, the market price of our Common Stock has been, and may in the future be, volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control; that our Common Stock is currently covered by research analysts at only two investment firms, is thinly traded and is relatively illiquid, limiting the ability of our stockholders to realize the value of their investment in us and our Common Stock;

the fact that approximately five months elapsed between the November 20, 2012 public announcement that IDG-Accel China Growth Fund II L.P. had submitted its non-binding proposal to acquire us and the April 22, 2013 execution of the Merger Agreement, during which we conducted a lengthy and thorough sale process with the assistance of RBC, and such efforts did not yield any alternative proposals to acquire us;

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that, aside from the offers made by IDG and Parent prior to our entry into the Merger Agreement, the Special Committee and our Board had not received any offer for a merger, a sale of all or a substantial part of our assets, or a purchase of a controlling amount of our Common Stock at any time preceding the signing of the Merger Agreement;

the fact that, earlier in 2012, we had, with the assistance of RBC, conducted a five-month confidential process to evaluate our strategic alternatives, including a possible sale of our company, and that this confidential process, through which representatives of RBC contacted 21 parties, including both participants in our industry and private equity investors, and entered into nondisclosure agreements and due diligence discussions with 9 of those parties, had not resulted in any firm offer or proposal to acquire us at any price or to engage in any other strategic alternative involving a third party;

that $4.225 per share represented the highest price that any third party had been prepared to pay after having received nonpublic information from us and conducting due diligence;

that one of our substantial institutional stockholders, not known to the Special Committee to have any affiliation with IDG, had written to our Board to state that "We are strong supporters of the IDG proposal because of its large price premium at $4," adding "We will support a competitive auction if it can be conducted expeditiously. However we don't think this is necessary because IDG has offered a very big premium and being a board member they are already best placed to pay a good price."

the fact that on November 26, 2012, Potomac Capital (an unaffiliated institutional investor and beneficial owner of over 4% of our Common Stock at the time) filed a Schedule 13D with the SEC, announcing Potomac's support of the November 10, 2012 IDG-Accel China Growth Fund II L.P. unsolicited, non-binding proposal to acquire us for $4.00 per share;

in this regard, Potomac Capital referred to IDG-Accel China Growth Fund II L.P.'s $4.00 non-binding bid as "an attractive means to return capital to stockholders;"

that since November 20, 2012, our Common Stock had traded at a significant discount to the $4.00 per share price in the original IDG proposal, indicating to the Special Committee that our stockholders generally discounted the likelihood that any offer would be made at any higher price;

that the Special Committee believed the merger consideration was fair to our unaffiliated stockholders in light of the Special Committee's understanding of our business, assets, results of operations, financial condition, competitive position, strategy, prospects and projected financial performance, and the nature of the industry and regulatory environment in which we compete;

that the proposed merger consideration is all cash, so that the transaction allows our unaffiliated stockholders to realize a fair value, in cash, for their investment and provides such unaffiliated stockholders certainty of value for their shares, especially when viewed against the risks inherent in our business, including the various risks we have disclosed under Item 1A, "Risk Factors," of our Annual Report on Form 10-K, as filed with the SEC on March 22, 2013, and included with these proxy materials as Annex D, and the risks and uncertainties inherent in our new strategic plan;

The terms and conditions of the Merger Agreement and related transaction documents, including but not limited to:

the absence of a financing condition in the Merger Agreement;

the fact that Parent had, as of the signing of the Merger Agreement, obtained committed equity financing from Sponsor sufficient to pay the merger consideration for all stockholders other than the Rollover Holders;

the obligations of Parent and Merger Sub to obtain alternative financing, in an amount sufficient to consummate the merger and on terms not materially less favorable (in the aggregate), in the event such parties' financing becomes unavailable in the manner or from the sources contemplated in the Merger Agreement;

our ability, subject to the terms and conditions of the Merger Agreement, to seek specific performance of Parent's and Merger Sub's obligations to consummate the merger and obtain the financing contemplated by the Merger Agreement;

the representation of Parent and Merger Sub in the Merger Agreement that, subject to the accuracy of the information we have provided, upon the completion of the transactions contemplated by the Merger Agreement and at the effective time of the Merger, the Surviving Corporation will be solvent and will not have an unreasonably small amount of capital for the operation of its business;

the condition to the consummation of the merger that the Merger Agreement be adopted by the affirmative vote of stockholders representing a majority of the issued and outstanding Common Stock;

the fact that our Board or any applicable committee thereof may explore a Competing Transaction, including the provision of non-public information to and the entering of discussions with a potential competing acquirer, if the Board or any applicable committee thereof determines, in its good faith judgment after consultation with a financial advisor and outside legal counsel, that such Competing Transaction is or could reasonably be expected to lead to a Superior Proposal, and certain other conditions set forth in the Merger Agreement are met;

the ability of our Board or any applicable committee thereof to: (i) change, withhold, withdraw, qualify or modify its recommendation that our stockholders adopt the Merger Agreement; or (ii) adopt, approve or recommend a Competing Transaction, if, prior to the special meeting of our stockholders to be held for the purpose of voting upon the Merger Proposal, our Board or any applicable committee thereof determines in its good faith judgment, and after consultation with outside counsel, that failure to take these actions would reasonably be expected to be inconsistent with its fiduciary duties;

the provision of the Merger Agreement allowing us to terminate the Merger Agreement in certain circumstances relating to the presence of a Superior Proposal, subject to the payment of a termination fee of $1.77 million;

the fact that the $1.77 million termination fee, payable by us in certain circumstances, is relatively minor and reasonable in comparison to the aggregate value of the merger and the transactions contemplated by the Merger Agreement;

the requirement that, in the event of a failure of the merger to be consummated under certain circumstances, Parent will be obligated to pay us a termination fee of $3.54 million, and the fact that such payment obligation is guaranteed by Sponsor pursuant to the Limited Guaranty;

the terms and conditions of the Voting Agreement, whereby certain of the Rollover Holders, including each of our executive officers, and each of the IDG Funds have agreed to vote in favor of the Merger Proposal; and

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- the fact that the Voting Agreement terminates upon any termination of the Merger Agreement and does not otherwise restrict our ability to explore a Superior Proposal in accordance with the terms and conditions of the Merger Agreement;

its assessment of the risk of non-consummation of the merger due to the failure to obtain the affirmative vote of stockholders representing a majority of the issued and outstanding Common Stock;

its view that there is a high degree of certainty that the merger can be consummated, in view of the terms of the Merger Agreement and related documents, the limited closing conditions and the absence of significant required regulatory approvals;

the likelihood that the merger can be consummated promptly;

the Special Committee's belief that Parent and IDG would likely be able to acquire us at a higher price per share than any potential competing bidder due to the significant equity position of the IDG Funds, especially if the IDG Funds were unwilling to sell their 19.4% stake in connection with any alternative transaction involving our acquisition;

the Special Committee's belief that the economic interests of each director on the Special Committee with respect to the merger are aligned with those of our unaffiliated stockholders whose shares of Common Stock will be converted in the merger into the right to receive the merger consideration, because the members of the Special Committee may be deemed to own, in the aggregate, 2,602,620 shares of our Common Stock, including Company Options and restricted stock units (see "*Important Information Regarding MEMSIC Security Ownership of Certain Beneficial Owners and Management*" beginning on page 118 of this proxy statement);

- in this regard, Mr. Michael Tung, a member of the Special Committee, may be deemed to beneficially own 2,357,620 shares of Common Stock based on his position as Chief Financial Officer and Managing Partner of VentureStar-InveStar Capital Inc., an affiliate of InveStar Semiconductor Development Fund, Inc. (which holds 1,285,551 shares of Common Stock), and InveStar Semiconductor Development Fund, Inc. (II) LCD (which holds 1,072,069 shares of Common Stock);

the active and direct role of the chairman of the Special Committee, Roger W. Blethen, and the Special Committee's representatives in the negotiations with respect to the Merger Agreement, and the consideration by the Special Committee at numerous meetings of the status and key issues being discussed in such negotiations;

the negotiations that took place between the Special Committee and the Special Committee's representatives, on the one hand, and Parent, IDG and the representatives of Parent and IDG on the other hand, which resulted in the increase in the merger consideration from IDG-Accel China Growth Fund II L.P.'s initial non-binding offer of $4.00 per share to $4.225 per share, and the belief of the members of the Special Committee that $4.225 per share was the highest price that Parent and IDG would pay to our stockholders;

the availability of appraisal rights under Delaware law to our stockholders who do not vote in favor of the Merger Proposal and who otherwise comply with all of the required procedures under Delaware law, which provides those eligible stockholders with an opportunity to have a Delaware court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the Merger Agreement;

the Special Committee's belief that it was fully informed about the extent to which the interests of Dr. Zhao, the other executive officers, and Dr. Zhou in the merger differed from those of our unaffiliated stockholders;

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- the fact that, in the absence of the merger, we would continue to incur significant expenses by remaining a public company, including the related legal, accounting, transfer agent, printing and filing fees, which could adversely affect our financial performance and the value of our Common Stock; and

- such other factors, considerations, documents, information and advice as the Special Committee deemed necessary or appropriate in order to reach its decision whether to approve the Merger Agreement and recommend that the Board approve and recommend to our stockholders that they vote in favor of the Merger Proposal.

The Special Committee believes that each of these factors supported its unanimous recommendations to the Board, as described above.

In evaluating the fairness of the merger, the Special Committee did not consider:

- our net book value, because the Special Committee believes that net book value, which we calculated as stockholders' equity less net intangible assets, is not a material indicator of the value of the Common Stock, but rather is an accounting concept indicative of historical asset costs (our net book value per share as of March 31, 2013 was approximately $3.10, assuming 24,296,504 shares of Common Stock outstanding as of May 10, 2013, which is approximately 27% lower than the merger consideration);

- the purchase prices paid in the transactions described under *"Important Information Regarding MEMSIC Transactions in Common Stock"* beginning on page 121 of this proxy statement, due to the isolated nature and limited magnitude of such transactions (though the Special Committee notes that the consideration to be received by our unaffiliated stockholders represents a premium over such prices);

- any other firm offers for a merger, a sale of all or a substantial part of our assets, or a purchase of a controlling amount of our Common Stock, as the Special Committee (and the Board) were not aware of our having received any such firm offer(s) from anyone other than Parent, Merger Sub and the Rollover Holders in the two years preceding the signing of the Merger Agreement; and

- our liquidation value, because the Special Committee considered us to be a viable, going concern and therefore did not consider liquidation value to be a relevant methodology.

In addition, the Special Committee did not determine, nor did it ask RBC to formally estimate, a pre-merger going concern value for the Common Stock as such. The Special Committee did, however, consider relevant to our going concern value the discounted cash flow analysis performed by RBC, as described below under *"Special Factors Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration,"* beginning on page 45 of this proxy statement. The Special Committee does not believe there is a single reliable method of determining going concern value, although the Special Committee believes the analyses of RBC in their totality may, to some degree, be generally reflective of going concern value, and the Special Committee adopted RBC's discounted cash flow analysis in reaching its conclusion with respect to the fairness of the merger to our unaffiliated stockholders. Further, to the extent the pre-merger going concern value was reflected in the pre-announcement per share price of the Common Stock, the merger consideration represented a significant premium to that going concern value per share. The Special Committee did not specifically consider the high and low sales prices for the Common Stock as described under "*Important Information Regarding MEMSIC Market Price and Dividend Information*" beginning on page 117 of this proxy statement, but did review trading prices of the Common Stock over the two-year period prior to the execution of the Merger Agreement. The Special Committee noted that the $4.225 merger consideration to be received by unaffiliated stockholders represented a substantial premium over the "high" sale prices of the Common

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Stock at all times since our announcement on May 8, 2012 that we expected revenues from our largest customer to decrease substantially in 2012.

In the course of reaching the determinations and decisions and making the recommendations described above, the Special Committee also considered the following factors relating to the procedural safeguards that the Special Committee believed were and are present to ensure the fairness of the merger, each of which safeguards the members of the Special Committee believe supported their decision and provided assurances regarding the fairness of the merger:

- that the Special Committee is composed of three independent directors who are not affiliated with Parent, Merger Sub or IDG and have never been employees of Parent, Merger Sub, or any affiliate of IDG;
- that, following our November 20, 2012 disclosure of the non-binding proposal from IDG-Accel China Growth Fund II L.P. to acquire us for $4.00 per share and our appointment of the Special Committee to evaluate such proposal and other alternatives available to us, we did not receive any alternate bids at any price or other offers to enter into any other third party transaction(s), despite:
  - the Special Committee retaining RBC as its financial advisor to assist with evaluating IDG's proposal and exploring strategic alternatives;
  - the Special Committee conducting a lengthy and thorough sale process during which representatives of RBC, at the direction of the Special Committee, actively solicited a range of potential buyers to submit competing proposals to acquire us; and
  - the fact that any party expressing interest in a possible transaction with or acquisition of our company was permitted to conduct due diligence and make a proposal, subject only to the requirement that it enter into a customary confidentiality agreement;
- that the Special Committee was advised by independent legal counsel and financial advisors in connection with exploring strategic alternatives and negotiating the terms of any transaction, including the merger;
- that there were vigorous negotiations between the advisors of Parent and IDG and the advisors of the Special Committee, with the direct involvement of the chairman of the Special Committee, regarding the merger consideration and the other terms of the merger and the Merger Agreement;
- that the Special Committee conducted extensive deliberations regarding the merger over a period of approximately five months;
- the fact that the members of the Special Committee do not have a financial interest in the merger different from those of our unaffiliated stockholders, other than: (i) receipt of Board and Special Committee fees (which were not contingent upon the consummation of the merger or the recommendation of any transaction); (ii) customary and reasonable indemnification and director liability insurance rights under the Merger Agreement; and (iii) acceleration of unvested director equity awards upon consummation of the merger, on the same terms applicable to our employees holding such awards;
- that the Special Committee, whose members comprise a majority of our Board, had the ultimate authority to decide whether or not to proceed with a transaction or any alternative thereto;

that the Special Committee and our Board had no obligation to recommend any transaction;

that the Special Committee requested and received from RBC a written opinion dated April 22, 2013, that, as of that date and based upon and subject to the considerations, assumptions, limitations, qualifications and other matters set forth therein, the merger consideration to be received by our stockholders (other than the Rollover Holders) pursuant to the merger was fair, from a financial point of view, to such stockholders;

that the adoption of the Merger Agreement and the consummation of the merger is subject to the affirmative vote of stockholders representing a majority of the issued and outstanding Common Stock;

that we retain the ability to terminate the Merger Agreement in order to enter into an alternative agreement with respect to a Superior Proposal, subject to the terms and conditions of the Merger Agreement and our payment of a customary and reasonable termination fee;

that the Special Committee made its evaluation of the Merger Agreement and the merger based upon the factors discussed in this proxy statement and with the full knowledge of the interests of management and the interested directors (Drs. Zhao and Zhou) in the merger; and

that dissenting stockholders who oppose the merger may assert and demand appraisal rights under the DGCL.

In light of the procedural safeguards described above, the Special Committee did not consider it necessary in order to adequately protect the interests of our stockholders to: (i) structure the merger such that approval of at least a majority of our unaffiliated stockholders is required to effect the transaction; or (ii) retain an unaffiliated representative to act solely on behalf of our unaffiliated stockholders to negotiate the terms of the Merger Agreement or prepare a report concerning the fairness of the Merger Agreement and the merger.

In the course of reaching the determinations and decisions and making the recommendations described above, the Special Committee also considered a variety of risks and potentially negative factors relating to the Merger Agreement, the merger and the other transactions contemplated thereby. These factors included, but were not limited to, the following:

the fact that, following the merger, our stockholders (other than any Rollover Holders who will have become equity investors in Parent at the effective time of the merger) will have no ongoing equity participation in the Surviving Corporation following the merger, and that such stockholders will cease to participate in our future earnings or growth, if any, or to benefit from increases, if any, in the value of the Common Stock, and will not participate in any potential future sale of Parent or the Surviving Corporation to a third party;

the possibility that, after the completion of the merger, Parent could cause the Surviving Corporation to engage in unspecified transactions including restructuring efforts, special dividends or the sale of some or all of the shares or assets of the Surviving Corporation to one or more purchasers, which transactions could conceivably produce a higher aggregate value than that available to stockholders in the merger;

the fact that those directors that were not appointed to the Special Committee (Drs. Zhao and Zhou), have interests that are different from those of our unaffiliated stockholders, as described under this section of the proxy statement under the subheading " *Interests of Certain Persons in the Merger;*"

the fact that, although the Special Committee expects the merger to be consummated, there can be no assurances that all conditions to the parties' obligations to complete the merger will be satisfied, and as a result, the merger may not be completed, even if the Merger Agreement is adopted by our stockholders;

the risk of non-completion of the merger as a result of the failure to obtain the affirmative vote of stockholders representing a majority of the issued and outstanding Common Stock;

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- the possibility that we could be required, under certain circumstances, to pay to Parent a termination fee of $1.77 million;

- the risks to our business if the merger is not completed, including the diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships;

- the substantial expenses we have incurred and expect to incur in connection with the merger, including in connection with litigation resulting from the announcement or pendency of the merger;

- the fact that the 19.4% ownership stake of the IDG Funds may have made a competing third-party offer at a value in excess of the $4.225 per share offered by Parent (which is an affiliate of Sponsor and the IDG Funds) less likely than if such ownership stake did not exist;

- the Merger Agreement's restrictions on the conduct of our business before the completion of the merger, generally requiring us to conduct our business only in the ordinary course, subject to numerous limitations, which may delay or prevent us from undertaking valuable business opportunities that may arise before the completion of the merger; and

- the fact that, for U.S. federal income tax purposes and under PRC tax law, the merger consideration could be taxable to those of our stockholders receiving the merger consideration.

The foregoing discussion of the information and factors considered by the Special Committee includes the material factors considered by the Special Committee. In view of the variety of factors considered in connection with its evaluation of the merger, the Special Committee did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The Special Committee made its recommendations to our Board with respect to the Merger Agreement and the merger based upon the totality of the information it considered.

Determinations of the Board of Directors

Our Board consists of five directors: Roger Blethen, Dr. Lawrence Kaufman, Michael Tung, Dr. Yang Zhao and Dr. Quan Zhou. Drs. Zhao and Zhou were not appointed to the Special Committee because of their conflicts of interests with respect to the merger, as described under this section of the proxy statement under the subheading *" Interests of Certain Persons in the Merger"* beginning on page 70. On April 22, 2013, immediately following the meeting of the Special Committee at which the Special Committee determined to make the recommendations to our Board described above, our Board held a meeting, at which all five directors participated telephonically, to consider the recommendations of the Special Committee with respect to the merger. At the commencement of the meeting, Drs. Zhao and Zhou announced their intentions to abstain from voting with respect to the merger. Accordingly, the members of our Board who cast votes with respect to the merger were the same three directors who comprise the Special Committee. At the meeting, our Board, acting upon the unanimous recommendation of the Special Committee, unanimously (with Drs. Zhao and Zhou abstaining): (i) determined that the merger, on the terms and subject to the conditions set forth in the Merger Agreement, is fair to, and in the best interest of, our company and our unaffiliated stockholders; (ii) approved and declared advisable our execution, delivery and performance of the Merger Agreement and the consummation of the transactions contemplated thereby, including the merger; and (iii) resolved to recommend that our stockholders vote for the Merger Proposal. Accordingly, the merger was also approved by a majority of our directors that are not employees of our company or any of its subsidiaries.

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Because the members of our Board who cast votes with respect to the foregoing matters relating to the merger were the same three directors who comprise the Special Committee, the factors considered by our Board in taking the foregoing actions were the same as the factors considered by the Special Committee.

The Board, with Drs. Zhao and Zhou abstaining, unanimously recommends that you vote "FOR" the adoption of the Merger Agreement.

Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration

On April 22, 2013, as financial advisor to the Special Committee, RBC rendered its written opinion to the Special Committee that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the merger consideration of $4.225 per share in cash, without interest, for each share of our Common Stock was fair, from a financial point of view, to the holders of such Common Stock, other than the Rollover Holders. The full text of RBC's written opinion dated April 22, 2013 is attached to this proxy statement as Annex B and constitutes part of this proxy statement. RBC's opinion was approved by the RBC M&A Fairness Opinion Committee. **This summary of RBC's opinion is qualified in its entirety by reference to the full text of the opinion. We urge you to read RBC's opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken by RBC.**

RBC's opinion was provided for the information and assistance of the Special Committee in connection with its consideration of the merger. RBC's opinion did not address the merits of our underlying decision to engage in the merger or the relative merits of the merger compared to any alternative business strategy or transaction in which we might engage. RBC's opinion and the analyses performed by RBC in connection with its opinion, as reviewed by the Special Committee, were only two of many factors taken into consideration by the Special Committee in connection with its evaluation of the merger. **RBC's opinion does not constitute a recommendation to any holder of Common Stock as to how such holder should vote with respect to the merger or any other proposal to be voted upon by them in connection with the merger.**

RBC's opinion addressed solely the fairness of the merger consideration, from a financial point of view, to the holders of such Common Stock, other than the Rollover Holders, and did not in any way address other terms or arrangements of the merger or the Merger Agreement, including, without limitation, the financial or other terms of any other agreement contemplated by, or entered into in connection with, the Merger Agreement. Further, in rendering its opinion, RBC expressed no opinion about the fairness of the amount or nature of the compensation to any of our directors, officers or employees, or any class of such persons, relative to the consideration to be paid to holders of Common Stock.

In rendering its opinion, RBC assumed and relied upon the accuracy and completeness of all the information that was publicly available to RBC and all of the financial, legal, tax, operating and other information that we provided to or discussed with RBC, including, without limitation, our financial statements and related notes thereto. RBC did not assume responsibility for independently verifying, and did not independently verify, this information. RBC assumed that all projections and forecasts we provided were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our future financial performance as a standalone entity. RBC expressed no opinion as to those projections and forecasts or the assumptions on which they were based. RBC did not assume any responsibility to perform, and did not perform, an independent evaluation or appraisal of any of our assets or liabilities, and RBC was not furnished with any such valuations or appraisals. In addition, RBC did not assume any obligation to conduct, and did not conduct, any physical inspection of our properties or facilities. RBC did not investigate and made no assumption regarding any litigation or other claims affecting us.

In rendering its opinion, RBC assumed, in all respects material to its analysis, that all conditions to the consummation of the merger would be satisfied without waiver. RBC further assumed that the executed versions of the Merger Agreement, the Contribution Agreement, the Voting Agreement, the Limited Guaranty, and the Equity Commitment Letter would not differ, in any respect material to its opinion, from the version thereof reviewed by RBC.

RBC's opinion spoke only as of the date it was rendered, was based on the conditions as they existed and information with which RBC was supplied as of such date, and was without regard to any market, economic, financial, legal or other circumstances or events of any kind or nature which may exist or occur after such date. RBC did not undertake to reaffirm or revise its opinion or otherwise comment on events occurring after the date of its opinion and does not have an obligation to update, revise or reaffirm its opinion. Unless otherwise noted, all analyses were performed based on market information available as of April 19, 2013, the trading day on which RBC finalized its analysis.

In connection with its review of the merger and the preparation and rendering of its opinion, RBC undertook the review and inquiries it deemed necessary and appropriate under the circumstances, including:

- reviewing the financial terms of (i) the execution copy of the Merger Agreement received by RBC on April 22, 2013, (ii) the execution copy of the Contribution Agreement received by RBC on April 22, 2013, (iii) the execution copy of the Voting Agreement received by RBC on April 22, 2013, (iv) the execution copy of the Limited Guaranty received by RBC on April 22, 2013, and (v) the execution copy of the Equity Commitment Letter received by RBC on April 22, 2013;

- reviewing and analyzing certain of our publicly available financial and other data with respect to us and certain other relevant historic operating data relating to us, made available to RBC from published sources and our internal records;

- conducting discussions with members of our senior management with respect to our business prospects and financial outlook as a standalone entity;

- reviewing reported prices and trading activity for our Common Stock;

- reviewing certain information relating to our historical, current and future operations, financial condition and prospects, as we made available to RBC, including financial projections prepared by our management for the fiscal years ending 2013 through 2016, with certain adjustments thereto based on guidance from our management, as publicly disclosed on March 8, 2013; and

- performing other studies and analyses as RBC deemed appropriate.

Set forth below is a summary of the material financial analyses performed by RBC in connection with the rendering of its opinion, as reviewed with the Special Committee at its meeting on April 22, 2013. The order of analyses described does not represent relative importance or weight given to those analyses by RBC. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the summary of the analyses used by RBC, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analysis.

For purposes of its analyses, RBC reviewed a number of financial and operating metrics, including:

- Enterprise Value ("EV"), calculated as the value of the relevant company's outstanding equity securities (taking into account its convertible securities and other rights to acquire equity securities and other rights to acquire equity securities) based on the relevant company's closing stock price, or equity value, plus net debt (calculated as outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet), as of the specified date;

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- Earnings before interest, taxes, depreciation and amortization, adjusted for non-cash items (including stock-based compensation), and certain non-recurring and one-time charges, or "EBITDA;"
- EBITDA less taxes, changes in working capital, and capital expenditures, or unlevered free cash flow (which we refer to as "UFCF").

Unless the context indicates otherwise, each of: (i) historical financial information for the most recently completed twelve-month period for which financial information had been made public ("LTM"); and (ii) financial information for each company analyzed, to the extent applicable, excluded:

- stock-based compensation expenses and long-term incentive programs;
- restructuring and other related closure costs;
- gain or loss on sales of assets;
- impairment charges;
- acquired inventory step-up and revaluation;
- acquisition-related costs;
- litigation costs;
- start-up costs;
- secondary offering expenses; and
- write-offs of notes receivable.

Our EVs, and corresponding EV multiples, as described below, are based on debt, cash and cash equivalents as of December 31, 2012, and on estimated shares outstanding using the treasury stock method, as of April 22, 2013, based on our management's estimates. Our LTM multiples, as described below, are based on information as of December 31, 2012.

Precedent Transaction Analysis

RBC reviewed certain implied transaction multiples for a set of precedent merger and acquisition transactions as compared to the corresponding implied transaction multiples for the merger. In selecting these precedent transactions, RBC considered mergers and acquisitions publicly announced since January 1, 2009 in the semiconductor device industry, in which the publicly-traded target company had a transaction value between $25 and $275 million.

RBC compared EV-to-LTM revenue and EV-to-LTM EBITDA multiples relating to the merger with corresponding LTM multiples in the selected precedent transactions. LTM amounts for the selected target companies were based on the most recently completed twelve-month period for which financial information had been made public at the time of the announcement of each transaction. EV data and other financial information for the selected transactions were based on publicly available information at the time of the relevant transaction. Financial data regarding the precedent transactions

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was taken from filings with the SEC and other public filings, Wall Street research, Dealogic, FactSet and Bloomberg.

Acquiror	Target
Diodes Incorporated	BCD Semiconductor Manufacturing Limited
Cypress Semiconductor Corporation	Ramtron International Corp.
Golden Gate Private Equity, Inc.	Conexant Systems Inc.
Zoran Corporation	Microtune, Inc.(1)
Microsemi Corporation	White Electronic Designs Corporation
Microchip Technology Inc.	Silicon Storage Technology, Inc.(1)
ON Semiconductor Corp.	California Micro Devices Corporation(1)
IXYS Corp.	Zilog Inc.(1)
Virage Logic Corporation	ARC International Limited(1)
Integrated Device Technology, Inc.	Tundra Semiconductor Corporation
Exar Corp.	Hifn, Inc.(1)
CSR plc	SiRF Technology Holdings, Inc.(1)

(1) Indicates selected transactions with not meaningful EBITDA multiples when relevant EBITDA figures are less than zero or EBITDA multiples are greater than 40.0x. Of these, California Micro Devices Corporation, Zilog Inc., ARC International Limited, Hifn, Inc. and SiRF Technology Holdings, Inc. had LTM EBITDA figures of less than zero while two of the transactions, Microtune, Inc. and Silicon Storage Technology, Inc., had LTM EBITDA multiples greater than 40.0x. These transactions were excluded from the summary of calculations of EV as a multiple of LTM EBITDA in the table set forth below based on RBC's judgment that in all seven transactions, the parties valued the target company on a basis other than LTM EBITDA multiples.

The following table compares the selected implied transaction multiples for the merger with the corresponding multiples for the selected precedent transactions:

	Precedent Transactions				Our Company (As Implied by the Merger Per Share Price)
	Min.	Median	Mean	Max.	
EV as a multiple of:					
LTM Revenue	0.1x	0.9x	1.0x	1.7x	1.0x
LTM EBITDA	6.6x	7.9x	9.7x	14.6x	10.9x

RBC noted that the EV-to-LTM revenue multiple implied by the merger consideration was within the range of such multiples for the selected precedent transactions and was above or equal to both the mean and median multiples found in such precedent transactions. RBC noted that the EV-to-LTM EBITDA multiple implied by the merger consideration was within the range of such multiples for the selected precedent transactions and was above both the mean and median multiples found in such precedent transactions.

Public Company Analysis

RBC reviewed certain financial and operating information and implied trading multiples for selected publicly-traded companies as compared to the corresponding information and implied trading multiples for us. In choosing the selected companies, RBC considered publicly traded companies focused primarily on semiconductor devices listed on public U.S. exchanges with projected revenue growth and historical gross margin and EBITDA margin profiles similar to ours.

In this analysis, RBC compared our EV implied by the merger consideration, expressed as a multiple of our projected calendar year 2013 and 2014 revenue and EBITDA, to the corresponding multiples of projected calendar year 2013 and 2014 EV-to-revenue and EV-to-EBITDA of the selected companies implied by the public trading prices of their common stock. EV data for the selected companies was based on publicly available information for each company as of April 19, 2013. Stock market information was based on closing stock prices on April 19, 2013. Projected revenue and EBITDA were based on Wall Street research in our case, and, in the case of the selected companies, Capital IQ and FactSet consensus estimates.

Selected Semiconductor Companies

Himax Technologies, Inc.;

International Rectifier Corporation;

IXYS Corp.;

MagnaChip Semiconductor Corporation;

Pericom Semiconductor Corp.;

RF Micro Devices Inc.;

STMicroelectronics NV;

Supertex Inc.; and

TriQuint Semiconductor, Inc.

The following table presents our implied EV-to-revenue and EV-to-EBITDA multiples, and the corresponding multiples for the selected companies, for the periods reviewed by RBC in connection with its analysis:

	Selected Companies				Our Company (As Implied by the Merger Per Share Price)
	Min.	**Median**	**Mean**	**Max.**	
EV as a multiple of:					
2013F Revenue	0.4x	0.7x	0.9x	1.8x	0.9x
2014F Revenue	0.4x	0.6x	0.8x	1.6x	0.7x
2013F EBITDA	3.6x	8.0x	10.0x	21.5x	12.5x
2014F EBITDA	3.1x	4.7x	5.6x	11.8x	6.1x

RBC noted that: (i) our EV-to-revenue multiple implied by the merger consideration for the projected calendar year 2013 was within the observed range of multiples, was above the median multiple and in-line with the mean multiple of the selected companies; (ii) our EV-to-revenue multiple implied by the merger consideration for the projected calendar year 2014 was within the observed range of multiples, was above the median multiple of selected companies analyzed and below the mean multiple of the selected companies; (iii) our EV-to-EBITDA multiple implied by the merger consideration for the projected calendar year 2013 was within the observed range of multiples and was above both the mean and median multiples of the selected companies; and (iv) our EV-to-EBITDA multiple implied by the merger consideration for the projected calendar year 2014 was within the observed range of multiples and was above both the mean and median multiples of the selected companies.

Discounted Cash Flow Analysis

RBC performed a discounted cash flow analysis to calculate the estimated present value of our standalone UFCF, based on forecasts and projections of our management from fiscal year 2013 through fiscal year 2016 (as presented in this section of the proxy statement under the subheading *"Prospective Financial Information"* beginning on page 59), together with: (i) certain adjustments thereto based on our management's guidance, as publicly disclosed on March 8, 2013; and

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(ii) projections for fiscal year 2017 based on discussions with, and assumptions provided by, our management.

RBC performed such discounted cash flow analysis using discount rates reflecting a weighted-average cost of capital, or "WACC," ranging from 20.4% to 22.4% and, for purposes of calculating our terminal value at the end of the forecast period, terminal revenue and EBITDA multiples ranging from 0.6x to 0.8x and 3.0x to 5.0x, respectively. Both ranges are consistent with the forward multiples observed in RBC's Public Companies Analysis. The WACC was calculated assuming no debt and a 10% tax rate. These assumptions were consistent with management estimates of our long-term capital structure and tax rate. Our derived cost of equity was calculated per the capital asset pricing model, plus a size premium based on the 2012 Ibbotson Risk Premia Report. Revenue and EBITDA terminal multiple methods yielded an implied per share equity value reference range for our Common Stock of $3.50 to $4.03 and $3.34 to $4.22, respectively, compared to the merger consideration of $4.225 per share.

Overview of Analyses; Other Considerations

No single company or transaction used in the above analyses as a comparison was identical to our company or the merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involved complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions analyzed.

The preparation of a fairness opinion is a complex process that involves the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to particular circumstances. Several analytical methodologies were used by RBC, and no one method of analysis should be regarded as critical to the overall conclusion reached. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusions of RBC were based on all the analyses and factors presented herein taken as a whole and also on application of RBC's own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis. RBC therefore believes that its analyses must be considered as a whole and that selecting portions of the analyses and of the factors considered, without considering all factors and analyses, could create an incomplete or misleading view of the processes underlying its opinion.

The Special Committee selected RBC to render its opinion based on its qualifications, expertise, reputation and knowledge of our business and affairs and its experience with semiconductor companies and the industry in which we operate. RBC has advised on numerous acquisitions of unaffiliated third parties in the semiconductor market. RBC is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. In the ordinary course of business, RBC may act as a market maker and broker in our securities and receive customary compensation, and may also actively trade our securities for its own account and the accounts of its customers, and, accordingly, RBC and its affiliates may hold a long or short position in such securities. Other than the engagements with us and with the Special Committee as described in the following paragraph, RBC has not provided any other financial advisory services to us or to the IDG Funds in the two years preceding the delivery of its opinion. In addition, RBC is not providing the IDG Funds, Parent or Merger Sub financing in connection with this transaction.

Under its engagement agreement with the Special Committee, RBC became entitled to receive a fee of $400,000 upon the delivery of a fairness opinion in connection with the Merger Agreement, without regard to whether RBC's opinion was accepted or the merger contemplated by the proposed Merger Agreement was consummated. RBC was also entitled to receive reasonable travel and other expenses not to exceed $25,000, which amount was increased by the Special Committee in February 2013 to $50,000, in order to reimburse RBC for the cost of additional travel to China necessary to meet with potential bidders. In addition, for its services as our financial advisor in connection with the merger, if the merger is successfully completed, RBC will receive an additional transaction fee of $1,850,000 against which all of the fee payable for the delivery of RBC's opinion will be credited. Under RBC's engagement agreement, this transaction fee would have been discounted by 25% if within 45 days of executing the agreement we had consummated a sale transaction with a party not included in a list of previously contacted parties set forth in the agreement. Further, in the event that the merger is not completed, RBC will be entitled to receive 25% of any reverse termination fee received by us (after subtracting our actual expenses from such termination fee). In the event that the merger is not completed and we consummate at any time thereafter, pursuant to a definitive agreement or letter of intent or other evidence of commitment entered into during the term of RBC's engagement or during the 12 months following the term, certain other defined business combinations, RBC will be entitled to a transaction fee equal to $1,850,000 plus 1.75% of any portion of the aggregate transaction value, as defined in the engagement agreement, that exceeds $120 million but is less than or equal to $150 million, plus 3.5% of the portion of any aggregate transaction value that exceeds $150 million. In addition, we have agreed to indemnify RBC for certain liabilities that may arise out of RBC's engagement, including, without limitation, liabilities arising under the federal securities laws, and to reimburse certain out-of-pocket expenses incurred by RBC in performing its services. The terms of RBC's engagement letter were negotiated at arm's-length between the Special Committee and RBC, and the Special Committee was aware of this fee arrangement at the time it reviewed and approved the Merger Agreement. In addition, prior to RBC's engagement by the Special Committee, we had engaged RBC to provide financial advisory services with respect to a possible minority investment or sale transaction pursuant to a separate engagement letter dated February 12, 2012, which engagement letter we terminated by means of written notice to RBC, dated August 9, 2012.

RBC has consented to the inclusion in this proxy statement of the full text of its opinion.

Position of Parent, Merger Sub and the Rollover Holders as to Fairness of the Merger

Under the rules governing "going private" transactions under Rule 13e-3 under the Exchange Act, Parent, Merger Sub and the Rollover Holders, may be deemed to be engaged in a "going private" transaction and required to express their beliefs as to the fairness of the merger to unaffiliated stockholders. Parent, Merger Sub and the Rollover Holders are making the statements included in this section solely for purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The view of Parent, Merger Sub and the Rollover Holders as to the fairness of the merger should not be construed as a recommendation to any stockholder as to how that stockholder should vote on the Merger Proposal. Parent, Merger Sub and the Rollover Holders have interests in the merger that are different from, and in addition to, those of the unaffiliated stockholders.

Each of Parent, Merger Sub and the Rollover Holders believes that the interests of our unaffiliated stockholders were represented by the Special Committee, which negotiated the terms and conditions of the Merger Agreement with the assistance of its independent legal and financial advisors. Parent, Merger Sub and the Rollover Holders attempted to negotiate a transaction that would be most favorable to them rather than our unaffiliated stockholders, and, accordingly, did not negotiate the Merger Agreement with a goal of obtaining terms that were substantively or procedurally fair to such stockholders. Parent, Merger Sub and the Rollover Holders did not participate in the deliberations of the Special Committee regarding, and did not receive any advice from the Special Committee's independent legal or financial advisors as to, the fairness of the merger to the Company's unaffiliated stockholders.

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Based on their knowledge and analysis of available information regarding our company, as well as discussions with our management regarding us and our business, and the factors considered by, and findings of, the Special Committee and the Board (as discussed in this section of the proxy statement under the subheading *" Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger,"* beginning on page 35), each of Parent, Merger Sub and the Rollover Holders believes that the merger is substantively fair to our unaffiliated stockholders based upon the following factors:

- the current and historical market prices of the Common Stock, including the fact that the merger consideration of $4.225 per share of Common Stock represents a premium of approximately 143% over the $1.74 closing price of the Common Stock on November 20, 2012, the last trading day before the public announcement of IDG-Accel China Growth Fund II L.P.'s non-binding proposal to acquire the company for $4.00 per share, 144% over the Common Stock's average closing share price over the 90 calendar days ended on that date, and 56% over the Common Stock's closing share price of $2.71 on April 22, 2013, the last trading day before the public announcement of the signing of the Merger Agreement;

- the merger consideration of $4.225 per share of the Common Stock is payable entirely in cash, thus allowing unaffiliated stockholders to immediately realize a determinate value for their shares;

- the Special Committee determined, by the unanimous vote of all members of the Special Committee, and the Board determined, upon the unanimous vote of all members of the Board (with Dr. Zhao and Dr. Zhou abstaining), that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are in the best interests of the Company's unaffiliated stockholders;

- the Sponsor has agreed to guarantee Parent's obligations under the Merger Agreement to pay, under certain circumstances, the Parent Termination Fee and certain other expenses;

- the transactions contemplated by the Merger Agreement, including the merger, will not be funded by debt financing and will instead be funded by equity financing to be provided by Sponsor subject only to customary funding conditions, thereby providing a high degree of certainty with respect to the closing of the merger; and

- the merger will provide liquidity for our unaffiliated stockholders without incurring brokerage and other costs typically associated with market sales.

Each of Parent, Merger Sub and the Rollover Holders believes that the merger is procedurally fair to our unaffiliated stockholders based upon the following factors:

- the Special Committee, consisting entirely of independent and disinterested directors who are not affiliated with Parent, Merger Sub or any of the Rollover Holders, was established and given absolute authority to, among other things, review, evaluate and negotiate the terms of the merger and to decide not to engage in the merger;

- the members of the Special Committee do not have any interests in the merger different from, or in addition to, those of our unaffiliated stockholders, other than the Special Committee members' receipt of Board and Special Committee compensation (which are not contingent upon the consummation of the merger or the special committee's or the Board's recommendation of the merger) and their indemnification and liability insurance rights under the Merger Agreement;

- while each of Drs. Zhao and Zhou is a director of the Company, because of their respective participation in the transaction as a Rollover Holder and as an affiliate of IDG, neither of them served on the Special Committee, nor did they participate in or have any influence over the

deliberative process of, or the conclusions reached by, the Special Committee or the negotiating positions of the Special Committee;

the Special Committee retained and was advised by its independent legal and financial advisors who are experienced in advising committees such as the special committee in similar transactions;

the Special Committee and the Board had no obligation to recommend the adoption of the Merger Agreement;

the merger consideration and other terms and conditions of the Merger Agreement were the result of vigorous negotiations over an extended period of time between Parent, Merger Sub, the Rollover Holders and their legal and financial advisors, on the one hand, and the Special Committee and its independent legal and financial advisors, on the other hand;

RBC, the Special Committee's independent financial advisor, rendered an opinion, dated April 22, 2013, to the Special Committee that, as of such date and based on and subject to the assumptions, considerations, qualifications, and limitations set forth in the written opinion, the merger consideration of $4.225 per share to be received by holders of the Common Stock (other than the Rollover Holders) was fair, from a financial point of view, to such stockholders;

under the terms of the Merger Agreement, in certain circumstances, our company may furnish information to, and enter into discussions with, third parties with respect to a Competing Transaction, and the Board may also withdraw or modify the Company Recommendation (as such term is defined under *"The Merger Agreement Other Covenants and Agreements,"* beginning on page 99 of this proxy statement); and

our ability to terminate the Merger Agreement, in accordance with its terms, upon acceptance of a Superior Proposal.

In light of the procedural safeguards described above, each of Parent, Merger Sub and the Rollover Holders did not consider it necessary in order to adequately protect the interests of our stockholders to: (i) structure the merger such that approval of at least a majority of our unaffiliated stockholders is required to effect the transaction; or (ii) have the Company retain an unaffiliated representative to act solely on behalf of our unaffiliated stockholders to negotiate the terms of the Merger Agreement or prepare a report concerning the fairness of the Merger Agreement and the merger.

Each of Parent, Merger Sub and the Rollover Holders believes these factors provide a reasonable basis for his, her or its belief that the merger is both substantively and procedurally fair to our unaffiliated stockholders. This belief, however, is not intended to be and should not be construed as a recommendation to any holder of the Common Stock as to how such stockholder should vote with respect to the Merger Proposal. The aforementioned persons attempted to negotiate the terms of a transaction that would be most favorable to them, and not to our unaffiliated stockholders, and accordingly, did not negotiate the Merger Agreement with a goal of obtaining terms that were fair to such stockholders.

In reaching the above conclusion, each of Parent, Merger Sub and the Rollover Holders did not consider:

our net book value, because they believe that net book value is not a material indicator of the value of the Common Stock, but rather is an accounting concept indicative of historical asset costs (our net book value per share as of March 31, 2013 was approximately $3.10, assuming 24,296,504 shares of Common Stock outstanding as of May 10, 2013, which is approximately 27% lower than the merger consideration);

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the purchase price paid in the transactions described under "*Important Information Regarding MEMSIC Transactions in Common Stock*" beginning on page 121 of this proxy statement, due to the isolated nature and limited magnitude of such transactions (though each of Parent, Merger Sub and the Rollover Holders notes that the consideration to be received by our unaffiliated stockholders represents a premium over such prices);

any other firm offer for a merger, a sale of all or a substantial part of our assets, or a purchase of a controlling amount of our Common Stock, as each of Parent, Merger Sub and the Rollover Holders was not aware of our having received any such firm offer(s) from anyone other than Parent, Merger Sub and the Rollover Holders in the two years preceding the signing of the Merger Agreement;

our liquidation value, because Parent, Merger Sub and the Rollover Holders consider us to be a viable, going concern and therefore did not consider liquidation value to be a relevant methodology; and

our pre-merger going concern value for the Common Stock as they did not believe there is a single reliable method of determining going concern value (though each of Parent, Merger Sub and the Rollover Holders notes that to the extent the pre-merger going concern value was reflected in the pre-announcement per share price of the Common Stock, the merger consideration represented a significant premium to that going concern value per share).

Purposes and Reasons for the Merger

Our Purposes and Reasons for the Merger

Our purpose in undertaking the merger is to allow our unaffiliated stockholders to realize the value of their investment in our Common Stock in cash at a price that represents a premium of 143% to the closing market price of the Common Stock on November 20, 2012, the last trading day before we announced that it had received a non-binding proposal from IDG-Accel China Growth Fund II L.P. (one of the IDG Funds) to acquire us for $4.00 per share, and a premium of 56% over the closing market price of our Common Stock on April 22, 2013, the last trading day before the public announcement of the signing of the Merger Agreement. The Special Committee and our Board (with Drs. Zhao and Zhou abstaining) believe, based upon the reasons discussed in this section of the proxy statement under the subheading " *Reasons for the Merger; Recommendations of the Special Committee and the Board of Directors; Fairness of the Merger,*" that the transactions contemplated by the Merger Agreement, including the merger, are fair to, and in the best interests of, our company and our stockholders (to the extent such stockholders' shares of Common Stock are converted into the right to receive the merger consideration in the merger).

Additionally, becoming a private company is expected to reduce most of our costs related to being a public company, including but not limited to legal costs, the costs of certain accounting and auditing activities and internal controls, the cost of annual and special meetings, the cost of preparing, printing and mailing corporate reports and proxy statements, and the expense of a transfer agent. Further, following the merger, at such time as we are no longer subject to the reporting requirements of the Exchange Act, our management will be able to eliminate much of the time it and certain of our other employees devote exclusively to comply with our obligations as a public company. As a result, we may be better able to focus our resources as a private company.

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Purposes and Reasons of the Merger for Parent, Merger Sub, and the Rollover Holders

Under the rules governing "going private" transactions under Rule 13e-3, Parent, Merger Sub and the Rollover Holders may be deemed to be engaged in a "going private" transaction and required to express their reasons for the merger to our public stockholders. The aforementioned persons are making this statement solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

For the aforementioned persons, the purpose of the merger is to enable Parent to acquire control of our Company in a transaction in which the unaffiliated stockholders will receive $4.225 per share of Common Stock. After the merger, shares of the Common Stock will cease to be publicly traded, and Parent will bear 100% of the risks and rewards of ownership of the Surviving Corporation. In addition, the merger will allow the Rollover Holders to invest in the Company through their equity investments in Parent while simultaneously "cashing out" a portion of their Common Stock, as described in this proxy statement.

Each of Parent, Merger Sub and the Rollover Holders believes that, as a privately-held entity, the Surviving Corporation's management will have greater flexibility to focus on improving its long-term profitability without the constraints caused by the public equity market's valuation of the company and emphasis on short-term period-to-period performance. As a privately-held entity, the Surviving Corporation will have greater flexibility to make decisions that might negatively affect short-term results, but that could increase its value over the long term.

As a privately-held entity, the Surviving Corporation will also be relieved of many of the other expenses, burdens and constraints imposed on companies that are subject to the public reporting requirements under the federal securities laws of the United States, including the Exchange Act and Sarbanes-Oxley Act of 2002. The need for a public company's management to be responsive to unaffiliated stockholders' concerns and to engage in dialogue with unaffiliated stockholders can also at times distract management's time and attention from the effective operation and improvement of the business, and this would no longer be an issue for the Surviving Corporation after the merger.

Each of Parent, Merger Sub and the Rollover Holders decided to undertake the going-private transaction to take advantage of the benefits of owning the Surviving Corporation as a privately-held company as described above.

Certain Effects of the Merger

If the Merger Agreement is adopted by our stockholders and certain other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into our company and we will be the surviving corporation.

Upon the consummation of the merger each share of our Common Stock issued and outstanding immediately prior to the effective time of the merger (other than treasury shares owned by us, shares held by any of our subsidiaries and shares held directly or indirectly by Parent and Merger Sub, including those shares contributed to Parent by the Rollover Holders, all of which will be cancelled, and shares held by holders who have perfected and not withdrawn a demand for appraisal rights) will immediately be converted into the right to receive the merger consideration, without interest and less any applicable withholding taxes.

A primary benefit of the merger to our unaffiliated stockholders will be the right of such stockholders to receive a cash payment of $4.225, without interest, for each share of Common Stock held by such stockholders as described above, representing a premium of 143% to the closing market price of the Common Stock on November 20, 2012, the last trading day before we announced that we had received a non-binding proposal from IDG-Accel China Growth Fund II L.P. to acquire us for $4.00 per share, a premium of 144% over the average of the closing market price of the Common

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Stock over the 90 calendar days ended on November 20, 2012 and a premium of 56% over the closing market price of the Common Stock on April 22, 2013, the last trading day before the public announcement of the signing of the Merger Agreement. Additionally, such stockholders will avoid the risk of any possible decrease in our future earnings, growth or value.

The primary detriments of the merger to our unaffiliated stockholders include the lack of an opportunity of such stockholders to participate in any potential future earnings, growth or value. Additionally, the receipt of cash in exchange for shares of Common Stock pursuant to the merger will generally be a taxable sale transaction for U.S. federal income tax purposes to our stockholders who surrender shares of our Common Stock in the merger and may also be a taxable transaction under other applicable tax laws, including those of the PRC.

Immediately following the merger, all of our equity interests will be owned, indirectly through Parent, by the Rollover Holders. If the merger is completed, the Rollover Holders will be the sole beneficiaries of our future earnings and growth, if any, and they will be the only ones entitled to vote, as stockholders of Parent, on matters affecting us following the merger.

We have accrued net operating loss carryforwards. Parent, Merger Sub, and the Rollover Holders will become beneficiaries of the future use of these net operating loss carryforwards after the merger to the extent of their respective equity interests in Parent. At December 31, 2012 we had gross United States net operating loss carryforwards of $10.3 million, expiring in various amounts from 2028 through 2032. However, as a result of the merger, the ability to use these net operating loss carryforwards is expected to be limited by provisions of the Code.

Our Common Stock is currently registered under the Exchange Act and is listed on the NASDAQ under the symbol "MEMS." As a result of the merger, we will be a privately held corporation, and there will be no public market for our Common Stock. After the merger, our Common Stock will cease to be listed on the NASDAQ, and price quotations for the Common Stock will no longer be available. In addition, registration of our Common Stock under the Exchange Act will be terminated, and we will no longer file reports with the SEC. Termination of registration of our Common Stock under the Exchange Act will reduce the information we are required to furnished to our stockholders and the SEC, and would make certain provisions of the Exchange Act, such as the short-swing trading provisions of Section 16(b) of the Exchange Act and the requirement to furnish a proxy statement in connection with stockholders' meetings pursuant to Section 14(a) of the Exchange Act, no longer applicable to us. As a result, the Rollover Holders will, indirectly through Parent, benefit from any regulatory compliance cost savings realized by the Surviving Corporation following our ceasing to be a publicly traded company.

As a private company, we will no longer have continued pressure to meet the quarterly expectations of analysts and investors. In contrast, as a publicly traded company, we currently faces pressure from analysts and investors to make decisions that may produce better short-term results, but that may not maximize long-term value. Further, we will have more freedom to focus on long-term strategic planning in a highly competitive business with increasing competition, and we will have more flexibility to change our capital spending strategies, pricing strategies and make other changes to our business without the scrutiny of analysts and investors. This added flexibility may enable us to achieve better financial and operational results than it can presently achieve as a publicly traded company.

The IDG Funds, Parent and Merger Sub have advised us that, except for the transactions contemplated by the Merger Agreement, they do not have any current plans, proposals or negotiations that relate to or would result in any of the following:

- an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving our company or any of our subsidiaries;

- the sale or transfer of a material amount of our assets or the assets of any of our subsidiaries; or

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any other material changes in our business.

At the effective time of the merger, Merger Sub's certificate of incorporation will become the certificate of incorporation of the Surviving Corporation, until amended, and Merger Sub's bylaws will become the bylaws of the Surviving Corporation, until amended, except that our name will remain unchanged. At that time, the directors of Merger Sub will become the directors of the Surviving Corporation.

The IDG Funds and some of our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally, including:

Dr. Quan Zhou is one of our directors and a general partner of IDG Capital Partners, which is affiliated with the IDG Funds. Dr. Zhou is also a managing member of the general partner of IDG Technology Venture Investments, L.P. and its successor funds and is a director of the general partner of each of IDG-Accel China Growth Fund I, IDG-Accel China Growth Fund II and IDG-Accel China Capital Fund. The IDG Funds collectively own approximately 19.4% of our Common Stock. In connection with the merger, the IDG Funds have agreed to roll over on a tax-free basis all 4,725,223 shares of their Common Stock into equity shares of Parent.

Dr. Yang Zhao, Dr. Paul Zavracky and Ms. Patricia Niu intend to roll over, on a tax-free basis, 169,943, 37,422 and 45,971 shares of Common Stock owned by them, respectively, into equity shares of Parent. In addition, Dr. Zavracky and Ms. Niu intend to apply a portion of the proceeds they will receive in consideration of their Company Options and restricted stock units to purchase an additional 43,276 and 17,289 equity shares of Parent, respectively, at a price of $4.225 per share.

the Merger Agreement provides for the vesting and cash-out of all Company Options, restricted stock awards and restricted stock units.

our executive officers as of the effective time of the merger will become the initial executive officers of the Surviving Corporation.

Our directors and executive officers are entitled to continued indemnification and insurance coverage under the Merger Agreement, and our directors and executive officers are entitled to continued indemnification under the terms of our certificate of incorporation and bylaws.

These interests are discussed in more detail in this section of the proxy statement under the subheading entitled *" Interests of Certain Persons in the Merger,"* beginning on page 70.

Following the merger, the primary detriments of the merger to the Rollover Holders include the fact that following the merger all of the risks of any possible decrease in our earnings, growth or value, and all other risks, will be borne by Parent and its shareholders. Additionally, the investment by the IDG Funds and the Rollover Holders in Parent will not be liquid, with no public trading market for such securities, and the equity shares of Parent may be subject to contractual restrictions on transfer.

Parent does not currently own any interest in our company. Following the consummation of the merger, Parent will own 100% of our outstanding Common Stock, and will have a corresponding interest in our net book value (which we calculated as stockholders' equity less net intangible assets) and net earnings. Each shareholder of Parent will have an interest in our net book value and net earnings in proportion to such shareholder's ownership interest in Parent.

The following table provides the direct and indirect interests of the Rollover Holders in our net loss and net book value prior to and immediately after the merger, based on our net book value of $75,337,334 and $77,176,588 at March 31, 2013 and December 31, 2012, respectively, and our net loss

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of $2,463,917 and $987,939 for the three months ended March 31, 2013 and the year ended December 31, 2012, respectively.

	Before the merger					After the merger				
Stockholder	Ownership interest(1)(2)(3)	Net book value as of March 31, 2013 ($)	Net book value as of December 31, 2012 ($)	Net loss for the three months ended March 31, 2013 ($)	Net loss for the year ended December 31, 2012 ($)	Ownership interest(4)	Net book value as of March 31, 2013 ($)	Net book value as of December 31, 2012 ($)	Net loss for the three months ended March 31, 2013	Net loss for the year ended December 31, 2012
IDG	19.4%	14,651,725	15,009,426	(479,187)	(192,136)	97.99%	73,824,469	75,626,788	(2,414,439)	(968,100)
Yang Zhao	4.0%	2,983,696	3,056,538	(97,582)	(39,127)	0.66%	498,820	510,998	(16,314)	(6,541)
Paul Zavracky	0.9%	642,324	658,005	(21,007)	(8,423)	0.31%	236,866	242,649	(7,747)	(3,106)
Patricia Niu	0.9%	710,999	728,358	(23,253)	(9,324)	0.25%	185,682	190,215	(6,073)	(2,435)
Yongyao Cai	0.4%	282,248	289,138	(9,231)	(3,701)	0.10%	78,229	80,139	(2,559)	(1,026)
Noureddine Hawat	0.0%	27,089	27,750	(886)	(355)	0.02%	16,164	16,559	(529)	(212)
Alexander Drinbinksy	0.3%	209,726	214,846	(6,859)	(2,750)	0.06%	46,823	47,966	(1,531)	(614)
Eric Chojnacki	0.0%	34,835	35,685	(1,139)	(457)	0.02%	18,310	18,757	(599)	(240)
James Fennelly	0.1%	77,641	79,536	(2,539)	(1,018)	0.04%	33,391	34,206	(1,092)	(438)
Dong An	0.1%	73,032	74,815	(2,389)	(958)	0.02%	18,512	18,964	(605)	(243)
Lei Zhang	0.1%	39,796	40,768	(1,302)	(522)	0.07%	55,000	56,343	(1,799)	(721)
Wei Zhang	0.4%	280,000	286,835	(9,157)	(3,672)	0.13%	98,832	101,245	(3,232)	(1,296)
Haidong Liu	0.4%	267,698	274,234	(8,755)	(3,510)	0.13%	94,907	97,224	(3,104)	(1,245)
Leyue Jiang	0.0%	25,811	26,441	(844)	(338)	0.04%	28,595	29,293	(935)	(375)
John Newton	0.0%	21,039	21,552	(688)	(276)	0.08%	58,704	60,138	(1,920)	(770)
Jose Rios						0.03%	22,014	22,552	(720)	(289)
Cheryl Merino	0.0%	7,157	7,331	(234)	(94)	0.03%	22,014	22,552	(720)	(289)

(1) Calculation of pre-merger percentage ownership for IDG is based on ownership information set forth in a Schedule 13D/A filed with the Securities and Exchange Commission on July 25, 2013 by IDG-Accel China Growth Fund II L.P., IDG Accel China Grown Fund II Associates L.P., IDG-Accel China Investors II L.P., IDG-Accel China Growth Fund GP II Associates Ltd., IDG Technology Venture Investments, LP, IDG Technology Venture Investments, LLC, IDG Technology Venture Investment III, L.P., IDG Technology Venture Investment III, LLC, Chi Sing Ho and Quan Zhou.

(2) Calculation of pre-merger percentage ownership for Rollover Holders other than IDG is based on ownership information set forth in a Schedule 13D/A filed with the Securities and Exchange Commission on August 6, 2013 by Yang Zhao, Paul Zavracky, Patricia Niu, Yongyao Cai, Noureddine Hawat, Alexander Drinbinksy, Eric Chojnacki, James Fennelly, Dong An, Lei Zhang, Wei Zhang, Haidong Liu, Leyue Jiang, John Newton, Jose Rios and Cheryl Merino.

(3) Percentage ownership based on 24,296,504 shares of Common Stock outstanding as of May 10, 2013.

(4) Calculation of post-merger percentage ownership assumes that:

- Sponsor will invest $86.3 million in shares of Parent pursuant to the Equity Commitment Letter at a price per share equal to the merger consideration; and

- each Rollover Holder will, to the maximum extent permitted under the Contribution Agreement, satisfy the purchase price for shares of Parent pursuant to the Contribution Agreement by the contribution of shares of Common Stock.

How We May be Affected if the Merger is not Completed

If the Merger Agreement is not approved by our stockholders or if the merger is not completed for any other reason, stockholders will not receive any payment for their shares of Common Stock in connection with the merger. Instead, we will remain a publicly traded company, our Common Stock will continue to be listed and traded on the NASDAQ, provided that we continue to meet NASDAQ's listing requirements, and we will remain subject to SEC reporting obligations. Therefore, our stockholders will continue to be subject to similar risks and opportunities as they currently are with respect to their ownership of our Common Stock. Accordingly, if the merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of Common Stock, including the risk that the market price of our Common Stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed.

Under certain circumstances set forth in the Merger Agreement, we may be required to pay Parent a termination fee of $1.77 million, or Parent may be required to pay us a reverse termination fee of $3.54 million, in each case, as described under *"The Merger Agreement Termination Fees"* beginning on page 111 of this proxy statement.

If the merger is not completed, from time to time, our Board will evaluate and review, among other things, our business, operations, dividend policy and capitalization and make such changes as it

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deems appropriate and continue to seek to identify strategic alternatives to enhance stockholder value. If the Merger Agreement is not approved by our stockholders or if the merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to us will be offered, or that our business, prospects or operational results will not be adversely impacted.

Prospective Financial Information

We do not as a matter of course make public forecasts or projections as to future performance or earnings covering extended periods or issue guidance beyond the current quarter.

However, we have presented below for your information certain forward-looking financial information that was generated for internal use and was available to IDG and certain other potential bidders, to RBC, and to the Special Committee to aid its evaluation of the merger. Such financial information includes the following:

In connection with our normal budget planning process, during the fourth quarter of 2012, our management prepared an operating budget covering each of the quarters of 2013, which we refer to as the "preliminary 2013 operating budget." The preliminary 2013 operating budget was included in the management slide deck that we shared with potential bidders, beginning on December 6 and 7, 2012.

Our estimated financial results for 2012 and our preliminary financial projections for 2013 and 2014, which we refer to as the "preliminary 2012-2014 projections," were discussed with the Special Committee on December 19 and 21, 2012. RBC relied upon the estimated financial results for 2012 and the preliminary financial projections for 2013 in its presentations to the Special Committee on those dates. The estimated financial results for 2012 were preliminary in nature pending the completion of our fiscal year, but reflected our actual financial results for the first three quarters of 2012. The financial projections for 2013 and 2014 were also preliminary in nature, were still under development by the Company at the time they were reviewed with the Special Committee, and were superseded by the four-year projections that are presented below. These figures were not provided to IDG or to any other potential bidder, nor were they relied upon by the Special Committee in its decision to recommend the approval of the merger or by RBC in its fairness opinion. The estimated financial results for 2012, the preliminary financial projections for 2013 and RBC's related preliminary analysis were relied upon by the Special Committee solely for the purpose of determining whether the IDG proposal at $4.00 per share was sufficiently attractive to warrant the initiation of negotiations with IDG in December 2012.

In preparation for our Board's approval of the 2013 operating budget in January 2013, management made adjustments to the preliminary 2013 operating budget, consisting primarily of reductions in operating expenses to reduce the operating loss projected for 2013. We refer to this revised operating budget as the "revised 2013 operating budget." The revised 2013 operating budget was reviewed by our Board at its meeting on January 11, 2013, and was also made available to RBC. It was not delivered to IDG or any prospective bidder.

Later in January 2013, our management developed an updated forecast for 2014 and forecasts for 2015 and 2016, which, together with a forecast for 2013 that was based substantially upon the revised 2013 operating budget, we refer to as the "four-year projections." The four-year projections reflected a number of changes in presentation compared to the preliminary 2012-2014 projections and the revised 2013 operating budget. The four-year projections were provided to RBC and IDG on or about January 17, 2013 and reviewed by the Board at its meeting on February 20, 2013 and subsequently relied upon by the Committee in its deliberations.

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In preparing its opinion regarding the fairness of the merger, from a financial point of view, to our stockholders other than the Rollover Holders (as such opinion is described in this section of the proxy statement under the subheading *" Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration,"* beginning on page 45), RBC relied on the four-year projections, which it further modified to reflect a reduced sales forecast for the first quarter of 2013, consistent with the guidance we issued on March 8, 2013, and to reflect changes in presentation. We refer to this revised forecast as the "revised four-year projections." The revised four-year projections were delivered to the Special Committee on April 22, 2013 and were relied upon by RBC in rendering its opinion, as further described in this section of the proxy statement under *" Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration."*

We did not provide RBC, IDG or any other party with projections of our free cash flow. However, at the request of RBC, in order to facilitate the discounted cash flow analysis RBC performed in connection with its preparation of its opinion (as described in this section of the proxy statement under the subheading " *Opinion of RBC Capital Markets, LLC Regarding the Fairness of the Merger Consideration Discounted Cash Flow Analysis*" beginning on page 45), we provided certain assumptions and components used to calculate free cash flow, which are described below.

The forward-looking information presented below includes estimates and relies upon assumptions that involve substantial judgment and are therefore highly subjective. Additionally, the forward-looking information was not prepared in accordance with accounting principles generally accepted in the United States, or GAAP, and excludes certain non-cash costs and expenses that would be required to be included