CONEXANT SYSTEMS INC
Form PREM14A
March 03, 2011

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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement

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

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

Conexant Systems, 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.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

Common Stock, par value $0.01 per share of Conexant Systems, Inc.

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

(A) 82,218,129 shares of common stock issued and outstanding (including restricted shares), (B) 24,640 shares of common stock underlying options to purchase common stock with an exercise price of less than the merger consideration of $2.40 per share, and (C) 3,636,333 shares of common stock subject to restricted stock unit awards.

(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 maximum aggregate value was determined based on the sum of (A) 82,218,129 shares of common stock (including restricted shares) issued and outstanding and owned by persons other than Conexant, Gold Holdings, Inc. (Gold), or Gold Acquisition Corp., or any other direct or indirect majority-owned subsidiary of Gold, as of February 23, 2011, multiplied by the merger consideration of $2.40 per share; (B) 24,640 shares of common stock underlying options to purchase common stock with an exercise price of less than the merger consideration of $2.40 per share, as of February 23, 2011, multiplied by $1.23 (which is the difference between the merger consideration of $2.40 per share and the weighted average exercise price of such options); and (C) 3,636,333 shares of common stock subject to restricted stock unit awards, as of February 23, 2011, multiplied by the merger consideration of $2.40 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0001161 by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of transaction:
$206,081,016

(5) Total fee paid:
$23,926.01

o 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:

March , 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Conexant Systems, Inc. at 8:30 a.m. Pacific Time on , 2011 at our corporate offices, located at 4000 MacArthur Boulevard, Newport Beach, California.

On February 23, 2011, we entered into a merger agreement providing for the acquisition of Conexant by Gold Holdings, Inc., which we refer to as Gold. Gold is an affiliate of Golden Gate Capital. At the annual meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement and the other proposals described in this proxy statement. Only stockholders who hold shares of Conexant common stock at the close of business on , 2011 will be entitled to vote. You may vote your shares at the annual meeting only if you are present in person or represented by proxy at the meeting.

If the planned merger takes place, each outstanding share of Conexant common stock will be converted into the right to receive $2.40 in cash, without interest and subject to any applicable withholding tax. The merger will be a taxable transaction for stockholders for U.S. federal income tax purposes.

Our board of directors has determined that the merger agreement and the consummation of the transactions contemplated thereby, including the merger, are advisable and in the best interests of, and fair to, Conexant and our stockholders. **Our board of directors recommends that stockholders vote FOR the adoption of the merger agreement, FOR each of the two director nominees named in this proxy statement, 1 YEAR on the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation and FOR each of the other proposals described in this proxy statement.**

Your vote is very important. Whether or not you expect to attend the annual meeting, please submit the enclosed proxy card (or submit your proxy by telephone or over the Internet) as soon as possible to ensure that your shares are represented at the annual meeting. Returning your proxy card (or submitting your proxy by telephone or over the Internet) will not prevent you from attending the annual meeting and voting in person should you choose to do so. If your shares are held in street name by your broker, you should instruct your broker to vote your shares by following the directions your broker provides. **Please note that a failure to vote your shares either in person at the meeting or by submitting a proxy or voting instruction form is the equivalent of a vote against the merger.**

This proxy statement provides detailed information about the merger and the other business to be considered by stockholders at the annual meeting. **We encourage you to read carefully the entire document, including the annexes.**

On behalf of your board of directors, thank you for your continued support.

Sincerely,

D. Scott Mercer
Chairman of the Board and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED OR DISAPPROVED THE TRANSACTIONS DESCRIBED HEREIN OR DETERMINED WHETHER THIS PROXY STATEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement is dated , 2011, and is first being mailed to stockholders of Conexant on or about , 2011.

CONEXANT SYSTEMS, INC.
4000 MacArthur Boulevard,
Newport Beach, California 92660
NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE	8:30 a.m., Pacific Time on , 2011
PLACE	Conexant s corporate offices, located at 4000 MacArthur Boulevard, Newport Beach, California
PROPOSALS	1. Adoption of the Agreement and Plan of Merger, dated as of February 20, 2011, by and among Conexant, Gold Holdings, Inc., and Gold Acquisition Corp., as such agreement may be amended from time to time 2. Election of two directors to serve as Class III directors to hold office until the annual meeting of stockholders in 2014 and until their successors are duly elected and qualified 3. An advisory vote on executive compensation 4. An advisory vote on the frequency of the advisory vote on executive compensation 5. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for the fiscal year ending September 30, 2011 6. Approval of the adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement 7. The transaction of other business that may properly come before the annual meeting (including adjournments and postponements thereof)
RECORD DATE	,2011
MEETING ADMISSION	You are entitled to attend and vote at the annual meeting only if you were a stockholder as of the close of business on , 2011 or hold a valid proxy for the annual meeting.
PROXY VOTING	**Your vote is important.** Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of Conexant common stock entitled to vote at the annual meeting is necessary to adopt the merger agreement (Proposal No. 1). Voting requirements for the other proposals are described in the enclosed proxy statement. We encourage you to read this proxy statement in its entirety and to submit a proxy so that your shares will be represented and voted even if you do not attend the annual meeting. You may submit your proxy over the Internet, by telephone or by mail. If you do attend the annual meeting, you may revoke your proxy and vote in person.

After careful consideration, our board of directors has determined that the merger agreement and the consummation of the transactions contemplated thereby, including the merger, are advisable and in the best interests of, and fair to, Conexant and you, the stockholders. **The board of directors recommends that you vote FOR the adoption of the merger agreement (Proposal No. 1), FOR each of the two director nominees named in the proxy statement (Proposal No. 2), FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 3), 1**

YEAR on the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4), FOR ratification of the appointment of Deloitte & Touche

LLP as our independent registered public accountants (Proposal No. 5), and FOR adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement (Proposal No. 6).

This proxy statement provides detailed information about the merger and the other business to be considered by stockholders at the annual meeting. **We encourage you to read carefully the entire document, including the annexes.**

By order of the Board of Directors of Conexant Systems, Inc.,

Mark Peterson
Senior Vice President, Chief Legal Officer and Secretary

Newport Beach, California
, 2011

YOUR VOTE IS IMPORTANT. PLEASE SUBMIT YOUR PROXY FOR YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING.

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Annex A Agreement and Plan of Merger, dated as of February 20, 2011, among Conexant Systems, Inc., Gold Holdings, Inc. and Gold Acquisition Corp.
Annex B Opinion of Qatalyst Partners LP, dated February 23, 2011
Annex C Section 262 of the General Corporation Law of the State of Delaware

SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. We urge you to read carefully the entire proxy statement, the annexes and the other documents to which we refer in order to fully understand the merger and the related transactions. See Where You Can Find More Information on page 103. Each item in this summary refers to the page of this proxy statement on which that subject is discussed in more detail. Except as otherwise specifically noted in this proxy statement, Conexant, we, our, us and similar words in this proxy statement refer to Conexant Systems, Inc. and its subsidiaries.

Parties to the Merger (page 14)

Conexant

Conexant, a Delaware corporation, is a fabless semiconductor company that designs, develops, and sells semiconductor system solutions, comprised of semiconductor devices, software, and reference designs, for imaging, audio, embedded-modem, and video applications.

Gold

Gold Holdings, Inc., referred to as Gold, is a Delaware corporation that was formed by affiliates of Golden Gate Capital solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement.

Merger Sub

Gold Acquisition Corp., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Gold that was formed solely for the purpose of consummating the merger.

The Merger (page 15)

On February 23, 2011, we entered into an Agreement and Plan of Merger, dated as of February 20, 2011 and referred to as the merger agreement, with Gold and Merger Sub, which provides for the merger of Merger Sub with and into Conexant, with Conexant surviving the merger as wholly owned subsidiary of Gold.

As a result of the merger, each share of Conexant common stock issued and outstanding immediately prior to the effective time of the merger (other than dissenting shares, treasury shares and shares held by Gold or any of its subsidiaries) will be converted into the right to receive $2.40 in cash, which amount is referred to as the per share merger consideration, without interest and subject to any applicable withholding tax. After the merger is completed, you will no longer have any rights as a Conexant stockholder, other than the right to receive the per share merger consideration and subject to the rights described under Proposal No. 1 Adoption of the Merger Agreement Appraisal Rights. As a result of the merger, Conexant will cease to be a publicly traded company and Gold will own 100% of the equity of Conexant.

The merger agreement is included as Annex A to this proxy statement and is incorporated by reference into this proxy statement.

Treatment of Equity Awards and Other Equity-Based Compensation (page 42)

Each option to acquire Conexant common stock granted under our equity compensation plans that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into the right to receive, with respect to each such option, an amount of cash equal to the excess, if any, of the per share merger consideration over the exercise price per share under the option for each share subject to such option. Any option with an exercise price greater than or equal to the per share merger consideration shall be cancelled without consideration and be of no further force and effect. In addition, at the effective time of the merger,

the vesting of each share of restricted stock will be accelerated, and each such share will be cancelled and converted into the right to receive the per share merger consideration.

Each restricted stock unit, referred to as an RSU, that, as of the effective time of the merger, is outstanding and either (1) vested, (2) held by a non-employee director, or (3) held by a management-level employee at the rank of senior vice president or above will be cancelled and converted into the right to receive, with respect to each such unit, an amount of cash equal to the per share merger consideration. With respect to each RSU that, as of the effective time of the merger, is outstanding and held by an employee of Conexant and that is not otherwise described above, such RSU will be cancelled at the effective time of the merger and the holder of such RSU will be entitled to receive with respect to each RSU on the date that the RSU would have otherwise vested had the effective time not occurred an amount of cash equal to the per share merger consideration; provided that such payment will only be required if (a) the employee continues to be employed continuously by the surviving corporation through and including the original vesting date of such RSUs and (b) the employee has not otherwise been issued or granted any incentive compensation following the effective time of the merger (but prior to such original vesting date) that the surviving corporation s board of directors has determined in good faith in its sole discretion to be an appropriate replacement for such RSUs. All other RSUs will be cancelled without consideration and be of no further force and effect.

Recommendation of the Board of Directors as to the Merger; Reasons for the Merger (page 22)

Our board of directors has determined that the merger agreement and the consummation of the transactions contemplated thereby, including the merger, are advisable and in the best interests of, and fair to, Conexant and our stockholders and recommends that stockholders vote FOR Proposal No. 1, adoption of the merger agreement, and FOR Proposal No. 6, adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement.

In evaluating the merger agreement and the merger, the board of directors consulted with our management and legal and financial advisors and considered a number of strategic, financial and other considerations, as described under the heading Proposal No. 1 Adoption of the Merger Agreement Recommendation of the Board of Directors as to the Merger; Reasons for the Merger beginning on page 22.

Opinion of Financial Advisor (page 27)

In connection with the proposed merger, our financial advisor, Qatalyst Partners LP, referred to as Qatalyst, delivered to the board of directors Qatalyst s written opinion dated February 23, 2011 that, as of such date and based upon and subject to the considerations, limitations and other matters set forth therein, the consideration to be received by stockholders (other than Gold or any affiliate of Gold) in the merger was fair, from a financial point of view, to such holders. The full text of Qatalyst s opinion to the board of directors is attached as Annex B to this proxy statement and is incorporated by reference in its entirety into this proxy statement. **Qatalyst s opinion was directed only to the fairness, as of the date of the Qatalyst opinion and from a financial point of view, to stockholders (other than Gold or any affiliate of Gold) of the merger consideration to be received by such holders in the merger, was provided to the board of directors in connection with its evaluation of the merger, did not address any other aspect of the merger, does not constitute a recommendation as to how any stockholder should vote with respect to the merger or any other matter and does not in any manner address the price at which the Conexant common stock will trade at any time.**

Financing of the Merger (page 32)

The total amount of funds necessary to complete the merger and the related transactions is anticipated to be approximately $204 million, not including amounts necessary to pay customary fees and expenses. Prior to our execution of the merger agreement, Gold entered into, and provided a copy to us of, an equity commitment letter with an affiliate of Gold in support of Gold s payment and other obligations under the merger agreement. The equity commitment letter provides for a maximum commitment under the letter of $205 million. The merger is not subject to a financing condition.

Interests of Executive Officers and Directors in the Merger (page 32)

You should be aware that some of our directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of stockholders generally. The board of directors was aware of these interests and considered them, among other matters, in reaching its decisions to adopt the merger agreement and to recommend that stockholders vote FOR the adoption of the merger agreement. These interests include:

Our directors and executive officers hold options to acquire Conexant common stock that will be cancelled and converted into the right to receive, with respect to each such option, an amount of cash equal to the excess, if any, of the per share merger consideration over the exercise price per share under the option for each share subject to such option;

Our directors and executive officers also hold RSUs that will vest and be converted into the right to receive an amount in cash, without interest, equal to the per share merger consideration;

We have entered into agreements with certain of our executive officers that contain provisions pursuant to which, in the event we terminate such individual s employment without cause or, in certain cases, if the executive resigns for good reason, the named executive officer will become entitled to specified severance benefits; and

Under the merger agreement, Gold has agreed to cause the surviving corporation to indemnify each of our directors and officers against certain liabilities and to maintain policies of directors and officers liability insurance covering each director and officer.

In addition to the foregoing, prior to the closing, some or all of our executive officers may discuss or enter into agreements, arrangements or understandings with Gold or Merger Sub regarding their continued employment with the surviving corporation, or the right to purchase or participate in the equity of Gold.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 52)

As more fully described in this proxy statement and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, adoption of the merger agreement by the stockholders, the receipt of all approvals and consents required to be obtained in connection with the merger from any governmental entity and the expiration or termination of all applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, referred to as the HSR Act, and any material foreign antitrust laws.

We currently expect to complete the merger during the second quarter of calendar 2011. However, we cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (page 53)

Either Gold or we can terminate the merger agreement under certain circumstances, which would prevent the merger from being completed.

Termination Fee and Expense Reimbursement (page 54)

A termination fee of $7,700,000 may be payable by us to Gold upon the termination of the merger agreement under several circumstances. In addition, we are required to reimburse Gold for its out-of-pocket expenses, up to $1,000,000, in situations where the termination fee would be payable or if the merger agreement is terminated as a result of a vote against the merger by the stockholders or if the stockholder vote is not held before July 26, 2011.

U.S. Federal Income Tax Consequences to Stockholders (page 40)

The merger will be a taxable transaction to U.S. holders of Conexant common stock for U.S. federal income tax purposes.

You should read Proposal No. 1 Adoption of the Merger Agreement Material U.S. Federal Income Tax Consequences of the Merger for a more complete discussion of the U.S. federal income tax consequences of the transaction. Tax matters can be complicated, and the tax consequences of the transaction to you will depend on your particular tax situation. You should consult your tax advisor to determine the tax consequences of the transaction to you.

The U.S. federal income tax consequences described above may not apply to all holders of Conexant common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult with your tax advisor for a full understanding of the particular tax consequences of the merger to you.

Regulatory Approvals (page 39)

Under the HSR Act and the rules and regulations promulgated thereunder, Gold and Conexant are required to make certain filings with the Antitrust Division of the U.S. Department of Justice (DOJ) and the U.S. Federal Trade Commission (FTC). The merger may not be consummated until the applicable waiting periods under the HSR Act have expired or have been terminated. Gold and Conexant each filed the requisite HSR Act notifications on February 28, 2011.

Litigation Relating to the Merger (page 39)

Conexant, the members of our board of directors and, in certain of the lawsuits, our President and Chief Operating Officer, our Chief Financial Officer, Standard Microsystems Corporation, referred to as SMSC, and/or Comet Acquisition Corp., a wholly owned subsidiary of SMSC, are named as defendants in purported class action lawsuits in connection with the transactions previously contemplated by the terminated merger agreement, dated as of January 9, 2011, among Conexant, SMSC and Comet Acquisition Corp., which is referred to as the SMSC merger agreement.

Appraisal Rights (page 35)

Under Delaware law, holders of Conexant common stock who do not vote in favor of the adoption of the merger agreement and who properly demand appraisal rights will be entitled to seek appraisal for, and obtain payment in cash for the judicially determined fair value of, their shares of Conexant 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. The relevant provisions of the General Corporation Law of the State of Delaware, which is referred to as 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.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because you have been identified as a stockholder of Conexant as of the close of business on the record date for the annual meeting. This proxy statement contains important information about the merger and the annual meeting of stockholders, and you should read this proxy statement carefully.

Q: What is the proposed transaction for which I am being asked to vote?

A: You are being asked to vote on the adoption of the merger agreement. The merger agreement provides that at the effective time of the merger, Merger Sub will merge with and into Conexant, with Conexant surviving the merger as a wholly owned subsidiary of Gold.

Please see Proposal No. 1 Adoption of the Merger Agreement beginning on page 15 for a more detailed description of the merger and the merger agreement. A copy of the merger agreement is attached to this proxy statement as Annex A.

Q: What other proposals are being presented at the annual meeting?

A: In addition to the merger proposal, stockholders will be asked to vote on the following proposals at the annual meeting:

- election of two directors to serve as Class III directors to hold office until the annual meeting of stockholders in 2014 and until their successors are duly elected and qualified (Proposal No. 2);
- an advisory vote on executive compensation (Proposal No. 3);
- an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4);
- ratification of the appointment of Deloitte & Touche LLP, referred to as Deloitte & Touche, as our independent registered public accountants for the fiscal year ending September 30, 2011 (Proposal No. 5);
- approval of the adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement (Proposal No. 6); and
- the transaction of other business that may properly come before the annual meeting (including adjournments and postponements thereof).

Q: Who is entitled to vote at the annual meeting?

A: All stockholders of record as of the close of business on , 2011, the record date for the annual meeting, are entitled to vote at the annual meeting. On that date, shares of Conexant common stock were outstanding and entitled to vote.

As of the record date, our executive officers and directors, together with their affiliates, held an aggregate of shares of Conexant common stock, which represents approximately % of all shares outstanding and entitled to vote at the annual meeting.

Q: What vote is required to approve each proposal?

A: Proposal No. 1, adoption of the merger agreement, requires the affirmative vote of the holders of a majority of the outstanding shares of Conexant common stock entitled to vote at the annual meeting. If you do not submit a proxy or voting instructions or do not vote in person at the meeting, or if you ABSTAIN from voting on the adoption of the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.

For Proposal No. 2, the two director nominees who receive the highest number of affirmative votes will be elected. Votes WITHHELD from a nominee will not be counted in determining the outcome of the nominee s election. However, if the number of shares voted FOR a director does not exceed the number of shares WITHHELD from the nominee, the director will be required to tender his or her resignation in accordance with the policy described below under Proposal No. 2 Election of Directors.

For each other proposal to be submitted for a vote of stockholders at the annual meeting, our bylaws require that the proposal receives the affirmative vote of a majority of the shares of Conexant common stock present or represented by proxy at the meeting and entitled to vote on the proposal to be approved. Please be advised, however, that Proposal No. 3 (an advisory vote on executive compensation), Proposal No. 4 (an advisory vote on the frequency of the advisory vote on executive compensation) and Proposal No. 5 (ratification of the appointment of our independent registered public accountants) are advisory only and are not binding on us. The board of directors (or a committee of the board of directors, as applicable) will consider the outcome of the vote on each of these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders.

Q: How does the board of directors recommend that I vote?

A: The board of directors recommends that you vote your shares:

FOR the adoption of the merger agreement (Proposal No. 1);

FOR each of the two director nominees named in this proxy statement (Proposal No. 2);

FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 3);

1 YEAR on the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4);

FOR ratification of the appointment of Deloitte & Touche as our independent registered public accountants (Proposal No. 5); and

FOR adjournment of the annual meeting, if necessary (Proposal No. 6).

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement, including the annexes, please fill out, sign and date the proxy card, and then mail your signed proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the annual meeting. You may also submit a proxy over the Internet or by telephone to instruct how your shares will be voted at the annual meeting. If you properly submit a proxy, the persons named as proxies will vote your shares at the annual meeting as you direct on the proxy. If you have Internet access, we encourage you to submit your proxy via the Internet. If you hold your stock in street name through a bank, broker or other nominee, you must submit voting instructions to your bank, broker or nominee in accordance with the instructions you have received from such bank, broker or nominee.

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Submitting your proxy or voting instructions will ensure that your shares are represented and voted at the annual meeting. Please see the additional information below regarding voting shares held in street name.

If you properly submit a proxy or voting instruction form and do not indicate how you want to vote, your shares will be voted in accordance with the recommendation of our board of directors on each of the proposals listed in the notice of annual meeting and in the best judgment of the named proxies with respect to any other matters properly presented for a vote at the annual meeting.

Q: Why is my vote important?

A: If you do not submit a proxy or voting instructions or vote in person at the annual meeting, it will be more difficult for us to obtain the necessary quorum to hold the annual meeting. In addition, because the merger proposal must be approved by the holders of a majority of the outstanding shares of Conexant common stock entitled to vote at the annual meeting, **your failure to submit a proxy or voting instructions or to vote in person at the annual meeting will have the same effect as a vote against Proposal No. 1, adoption of the merger agreement.**

If you do not submit a proxy or voting instructions or do not vote in person at the meeting, your shares will not be counted in determining the outcome of any of the other proposals at the annual meeting except as otherwise described below under If my shares are held in street name by my broker, will my broker vote my shares for me if I do not submit voting instructions?

Q: How will abstentions be counted?

A: If you ABSTAIN from voting on any of Proposals No. 1, No. 3, No. 4, No. 5, or No. 6, the effect will be the same as a vote against such proposal.

Q: Can I attend the annual meeting and vote my shares in person?

A: Yes. All stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the annual meeting.

If your shares of Conexant common stock are registered directly in your name with our transfer agent, Mellon Investor Services, Inc., you are considered the stockholder of record with respect to those shares. If you are a stockholder of record as of the close of business on the record date, you may attend the annual meeting of stockholders and vote your shares in person rather than signing and returning your proxy card or otherwise providing proxy instructions.

If your shares of Conexant common stock are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and this proxy statement is being forwarded to you by your bank, broker or nominee, who is considered the record holder with respect to those shares. As the beneficial owner, you have the right to direct your bank, broker or nominee how to vote, and you are invited to attend the annual meeting. However, since you are not the record holder, you may not vote these shares in person at the annual meeting unless you obtain a legal proxy from the bank, broker or nominee, giving you the right to vote the shares at the annual meeting.

In addition, you must bring a form of personal photo identification with you to be admitted.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me if I do not submit voting instructions?

A: If you do not instruct your broker, your broker will generally have the discretion to vote your shares only on matters that are considered routine. We do not believe that any of the proposals listed in the notice of annual meeting are considered routine matters, with the exception of Proposal No. 5, ratification of the appointment of Deloitte & Touche as our independent registered public accountants. Therefore, if you are a

street-name holder and do not submit voting instructions to your broker, your shares will constitute broker non-votes with respect to all of the proposals listed in the notice of annual meeting except for Proposal No. 5, on which your broker will have discretionary authority to vote your shares. A broker non-vote will have the same effect as a vote against Proposal No. 1, the adoption of the merger agreement, but will not be counted in determining the outcome of Proposals No. 2, No. 3, No. 4, or No. 6.

You should instruct your broker as to how to vote your shares, following the directions your broker provides to you.

Q: May I change my vote after I have submitted my proxy or voting instructions?

A: Yes. If you are a stockholder of record, you may change your vote or revoke your proxy at any time before your proxy is voted at the annual meeting by:

- delivering a written notice of revocation to our Corporate Secretary before the annual meeting;
- delivering a valid, later-dated proxy; or
- voting in person at the annual meeting.

Attendance at the annual meeting will not by itself constitute a revocation of a proxy. Written notices of revocation and other communications about revoking your proxy should be addressed to Conexant at 4000 MacArthur Boulevard, Newport Beach, California 92660, Attention: Corporate Secretary.

If you hold shares through a bank, broker or other nominee, you may change or revoke any prior voting instructions by contacting your bank, broker or nominee or, if you have obtained a legal proxy from your bank, broker or nominee giving you the right to vote your shares at the annual meeting, by attending the annual meeting and voting in person.

Q: If I am a Conexant stockholder, should I send in my stock certificates now?

A: No. You should not send in your stock certificates at this time. If the merger agreement is adopted at the annual meeting and the merger is thereafter completed, you will receive written instructions for exchanging your stock certificates for the merger consideration.

Q: What happens if I transfer my shares of common stock after the record date?

A: The record date for the annual meeting is earlier than the effective date of the merger. Therefore, transferors of shares of Conexant common stock after the record date but prior to the consummation of the merger will retain their right to vote at the annual meeting, but the right to receive the merger consideration will transfer with the shares.

Q: Who is paying for this proxy solicitation?

A: We will pay the costs of printing and mailing this proxy statement to stockholders and all other costs incurred by it in connection with the solicitation of proxies. We have retained Morrow & Co., LLC, a proxy solicitation firm, to solicit proxies on our behalf and have agreed to pay Morrow & Co., LLC an estimated fee of $25,000, plus its reasonable out-of-pocket expenses for its services. In addition to the mailed proxy materials, our directors, officers and other employees may also solicit proxies or votes in person, in writing or by telephone, e-mail or other means of communication. Directors, officers and other employees will not be paid any additional compensation for soliciting proxies. We will also reimburse banks, brokers, nominees and other record holders for their reasonable expenses in forwarding proxy materials to beneficial owners of Conexant common stock.

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Q: Who can help answer my questions?

A: If you have any questions or need further assistance in voting your shares of Conexant common stock, or if you need additional copies of this proxy statement or the proxy card, please contact Morrow & Co., LLC, our proxy solicitor, in writing at 470 West Ave., Stamford, CT 06902, or by telephone at (800) 607-0088.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains or incorporates by reference a number of forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by followed by, or including the words could, would, should, target, plan, believe, intend, anticipate, estimate, project, potential, possible or other similar expressions. In particular, forward-loo statements contained in this proxy statement include expectations regarding our financial condition, results of operations, earnings outlook and prospects and may include statements regarding the period following the completion of the proposed merger.

The forward-looking statements involve certain risks and uncertainties and may differ materially from actual results. Our ability to predict results or the actual effects of our plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include, among others, the following:

- the inability to complete the merger on the proposed terms and schedule because of the failure to obtain stockholder or regulatory approvals;
- a failure to consummate or delay in consummating the merger for other reasons;
- the amount of the costs, fees and expenses related to the merger, including as a result of unexpected factors or events and unanticipated tax consequences of the merger;
- disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers;
- competition and its effect on pricing, spending, third-party relationships and revenues; and
- other risks relating to Conexant s business set forth in its filings with the Securities and Exchange Commission, referred to as the SEC.

You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement or the date that any other document is filed with the SEC. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement and attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the preceding cautionary statement.

INFORMATION ABOUT THE ANNUAL MEETING OF STOCKHOLDERS

This section contains information for stockholders about the annual meeting of stockholders.

Together with this proxy statement, we are also sending you a notice of annual meeting of stockholders and a form of proxy that is being solicited by the board of directors for use at the annual meeting. The information and instructions contained in this section are addressed to stockholders and all references to you in this section should be understood to be addressed to stockholders.

Date, Time and Place of the Annual Meeting of Stockholders

This proxy statement is being furnished by the board of directors in connection with the solicitation of proxies from holders of Conexant common stock for use at the annual meeting of stockholders to be held at our corporate offices, located at 4000 MacArthur Boulevard, Newport Beach, California, on , 2011, beginning at 8:30 a.m. Pacific Time, and at any adjournment or postponement of the annual meeting.

Purpose of the Annual Meeting of Stockholders

The following proposals will be considered and voted upon at the annual meeting of stockholders:

- adoption of the merger agreement (Proposal No. 1);
- election of two directors to serve as Class III directors to hold office until the annual meeting of stockholders in 2014 and until their successors are duly elected and qualified (Proposal No. 2);
- an advisory vote on executive compensation (Proposal No. 3);
- an advisory vote on the frequency of the advisory vote on executive compensation (Proposal No. 4);
- ratification of the appointment of Deloitte & Touche as our independent registered public accountants for the fiscal year ending September 30, 2011 (Proposal No. 5);
- approval of the adjournment of the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement (Proposal No. 6); and
- the transaction of other business that may properly come before the annual meeting (including adjournments and postponements thereof).

Recommendation of our Board of Directors

Our board of directors recommends that stockholders vote FOR the adoption of the merger agreement, FOR each of the two director nominees named in this proxy statement, 1 YEAR on the proposal regarding an advisory vote on the frequency of the advisory vote on executive compensation and FOR each of the other proposals described in this proxy statement. For more information concerning the recommendation of the board of directors with respect to the merger, see Proposal No. 1 Adoption of the Merger Agreement Recommendation of the Board of Directors as to the Merger; Reasons for the Merger beginning on page 22 of this proxy statement.

Record Date and Outstanding Shares

The record date for the annual meeting of stockholders is , 2011. Only stockholders of record of Conexant common stock as of the close of business on the record date will be entitled to notice of, and to vote at, the annual meeting of stockholders and any adjournments or postponements thereof. At the close of business on the record date, there were shares of Conexant common stock issued and outstanding held by

stockholders of record. The number of record stockholders does not include persons whose stock is held in nominee or street name accounts through banks, brokers or other nominees.

Quorum Requirement

The presence at the annual meeting, in person or by proxy, of the holders of a majority of shares of Conexant common stock outstanding on the record date constitutes a quorum for the transaction of business at the annual meeting. Your shares will be counted for purposes of determining whether a quorum exists for the annual meeting if you return a signed and dated proxy card, if you submit a proxy by telephone or over the Internet, or if you vote in person at the annual meeting, even if you ABSTAIN from voting on the proposals.

If a quorum is not present at the annual meeting of stockholders, we expect that the annual meeting will be postponed or adjourned to a later date.

Vote Required

Each share of Conexant common stock outstanding on the record date will be entitled to one vote, in person or by proxy, on each matter submitted for the vote of stockholders.

Proposal No. 1, adoption of the merger agreement, requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the annual meeting. If you do not submit a proxy or voting instructions or do not vote in person at the meeting, or if you ABSTAIN from voting on the adoption of the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement.

For Proposal No. 2, each share of common stock outstanding on the record date is entitled to one vote on each of the two director nominees. The two director nominees who receive the highest number of affirmative votes will be elected. However, if the number of shares voted FOR a director does not exceed the number of shares WITHHELD from the nominee, the director may be required to tender his or her resignation in accordance with the policy described below in Proposal No. 2 Election of Directors.

For each other proposal to be submitted for a vote of stockholders at the annual meeting, our bylaws require that the proposal receives the affirmative vote of a majority of the shares of common stock present or represented by proxy at the meeting and entitled to vote on the proposal to be approved. Please be advised, however, that Proposal No. 3 (an advisory vote on executive compensation), Proposal No. 4 (an advisory vote on the frequency of the advisory vote on executive compensation) and Proposal No. 5 (ratification of the appointment of our independent registered public accountants) are advisory only and are not binding on us. The board of directors (or a committee of the board of directors, as applicable) will consider the outcome of the vote on each of these proposals in considering what action, if any, should be taken in response to the advisory vote by stockholders.

Attending and Voting at the Annual Meeting of Stockholders

Only stockholders as of the close of business on the record date, authorized proxy holders and our guests may attend the annual meeting. If you are a stockholder of record as of the close of business on the record date and you attend the annual meeting of stockholders, you may vote in person by completing a ballot at the annual meeting even if you already have signed, dated and returned a proxy card or submitted a proxy by telephone or over the Internet. If your shares of common stock are held in the name of a bank, broker or other nominee, you may not vote your shares of common stock in person at the annual meeting of stockholders unless you obtain a legal proxy from the record holder giving you the right to vote the shares of common stock. In addition, whether you are a stockholder of record or a beneficial owner, you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership or proper photo identification.

Proxies

Each copy of this proxy statement mailed to holders of Conexant common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a stockholder of record, you should vote your shares by (i) completing, signing, dating and returning the enclosed proxy card, (ii) calling the telephone number on your proxy card or (iii) following the Internet proxy submission instructions on your proxy card to ensure that your vote is counted at the annual meeting, or at any adjournment or postponement thereof, regardless of whether you plan to attend the annual meeting. Instructions for submitting a proxy by telephone or over the Internet are printed on the proxy card. In order to submit a proxy via the Internet, please have your proxy card available so you can input the required information from the card.

If you hold your stock in street name through a bank, broker or other nominee, you must submit voting instructions to your bank, broker or nominee in accordance with the instructions you have received from your bank, broker or nominee.

All shares represented by valid proxies that are received through this solicitation, and that are not revoked, will be voted in accordance with the instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted in accordance with the recommendation of the board of directors on each of the proposals indicated above. According to our bylaws, director nominations and other business to be conducted at an annual meeting of stockholders may only be brought before the meeting pursuant to the notice of annual meeting, by or at the direction of the board of directors, or by any stockholder who was a stockholder of record at the time notice of the meeting was given, who is entitled to vote at the meeting and who complies with the notice provisions set forth in the bylaws. No matters other than the matters described in this document are anticipated to be presented for action at the annual meeting or at any adjournment or postponement thereof.

Your vote is important. Please sign, date and return your proxy card or submit your proxy and/or voting instructions by telephone or over the Internet promptly.

PARTIES TO THE MERGER

Conexant

Conexant, a Delaware corporation, is a fabless semiconductor company that designs, develops, and sells semiconductor system solutions, comprised of semiconductor devices, software, and reference designs, for imaging, audio, embedded-modem, and video applications. These solutions include a comprehensive portfolio of imaging solutions for multifunction printers, fax platforms, and interactive display frame market segments. Our audio solutions include high definition (HD) audio integrated circuits, HD audio codecs, and speakers-on-a-chip solutions for personal computers (PCs), PC peripheral sound systems, audio subsystems, speakers, notebook docking stations, voice-over-IP speakerphones, USB headsets supporting Microsoft Office Communicator and Skype, and audio-enabled surveillance applications. We also offer a full suite of embedded-modem solutions for set-top boxes, point-of-sale systems, home automation and security systems, and desktop and notebook PCs. Additional products include decoders and media bridges for video surveillance, security and monitoring applications, and system solutions for analog video-based multimedia applications.

Our common stock currently trades on The NASDAQ Global Select Market under the symbol CNXT. Our principal executive offices are located at 4000 MacArthur Boulevard, Newport Beach, California 92660, and our telephone number is (949) 483-5536.

Gold

Gold is a Delaware corporation that was formed by affiliates of Golden Gate Capital solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement and the related equity commitment. The address of the principal executive offices of Gold is c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 39th Floor, San Francisco, California 94111, and its telephone number is (415) 983-2700.

Merger Sub

Merger Sub is a Delaware corporation and a wholly owned subsidiary of Gold that was formed solely for the purpose of consummating the merger. The address of the principal executive offices of Merger Sub is c/o Golden Gate Private Equity, Inc., One Embarcadero Center, 39th Floor, San Francisco, California 94111, and its telephone number is (415) 983-2700.

PROPOSAL NO. 1 ADOPTION OF THE MERGER AGREEMENT

The following is a description of the material aspects of the merger, including the merger agreement. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement, including the merger agreement attached to this proxy statement as Annex A, for a more complete understanding of the merger.

Overview

The merger agreement, dated as of February 20, 2011, among Conexant, Gold and Merger Sub provides for the merger of Merger Sub, a newly formed and wholly owned subsidiary of Gold, with and into Conexant, with Conexant surviving the merger as a wholly owned subsidiary of Gold. Upon consummation of the merger, each share of Conexant common stock issued and outstanding (other than dissenting shares, treasury shares and shares held by Gold or any of its subsidiaries) will be converted into the right to receive the per share merger consideration.

Background of the Merger

Our board of directors and management have regularly engaged in a review of our business plans and other strategic opportunities, including the evaluation of the market in which we compete, the possibility of pursuing strategic alternatives, such as acquisitions, and the possible sale of our company or certain of our assets, each with the view towards enhancing stockholder value. In addition, we have held discussions from time to time with various companies and private equity firms that expressed preliminary interest in pursuing a potential acquisition of our company. However, except as described below, none of these discussions resulted in a firm indication of interest in acquiring our company. Our practice has been to conduct all potential strategic discussions with third parties under the supervision of our Chairman and Chief Executive Officer, or CEO, D. Scott Mercer, with Mr. Mercer taking the lead in such discussions where appropriate. The practice of our board of directors has been to receive updates from Mr. Mercer on such discussions at regularly scheduled board meetings or more frequently, if appropriate, at special board meetings. In addition, Mr. Mercer updates members of the board of directors on an informal basis in between board meetings, as he deems appropriate.

On July 28, 2010, Christine King, President and CEO of SMSC, contacted Mr. Mercer to arrange a time for the two to speak.

On August 3, 2010, Ms. King called Mr. Mercer to express SMSC s interest in exploring strategic opportunities with us.

On August 4, 2010, we and SMSC entered into a mutual non-disclosure agreement and began sharing non-public information with each other. The mutual non-disclosure agreement was amended on August 9, 2010 to confirm the parties understanding that neither party would seek or obtain confidential information about the other party through Steven J. Bilodeau, who is a member of the board of directors of both SMSC and us. Mr. Bilodeau was excluded from all communications between us and SMSC regarding a potential transaction.

On August 19, 2010, Mr. Mercer, Jean Hu, our Chief Financial Officer, Treasurer and Senior Vice President, Business Development, and Sailesh Chittipeddi, our President and Chief Operating Officer, met with Ms. King and Robert Hollingsworth, SMSC s Senior Vice President/General Manager, Connectivity business, at the Newport Beach, California office of O Melveny & Myers LLP, our outside legal counsel, which we refer to as OMM, to discuss potential strategic opportunities. At this meeting, each management team presented to the other a corporate overview, including information concerning its respective markets, products, technology and financials.

On August 31, 2010, Ms. Hu and Mr. Chittipeddi met with Douglas Smith, SMSC s Chief Technology Officer, and Carl Falcon, SMSC s Vice President of Business Development, at our Newport Beach office to discuss the technology portfolio of each company and potential research and development synergies.

Between September 7 and September 22, 2010, representatives of each of us and SMSC exchanged additional information regarding the respective businesses and participated in follow-up calls regarding those information exchanges.

On September 13, 2010, Mr. Mercer and Ms. King had a call in which they reviewed the various discussions held to this point regarding our and SMSC s management and business and the potential synergies that could result from a combined company.

On September 22, 2010, at a Newport Beach hotel, Ms. King, Kris Sennesael, SMSC s Vice President and Chief Financial Officer, Roger Wendelken, SMSC s Vice President of Worldwide Sales, Mr. Falcon and Mr. Smith met with Mr. Mercer, Ms. Hu, Mr. Chittipeddi and Christian Scherp, our Executive Vice President, Sales, to discuss sales and marketing and potential synergies between the two companies.

On October 20, 2010, at a meeting in Palo Alto, California with Mr. Mercer, Ms. King provided an oral expression of interest on behalf of SMSC to acquire us at a price between $2.10 and $2.25 per share, payable up to 30% in SMSC stock and the remainder in cash, subject to completion of due diligence, SMSC board approval and availability of financing. Ms. King also indicated that SMSC was retaining financial advisors.

On October 22, 2010, Mr. Chittipeddi and the Vice President of Corporate Development for a company we refer to as Party A met at our Newport Beach office to discuss a potential technology partnership between the two companies. During that discussion, the representative of Party A indicated that Party A would be interested in discussing a potential strategic transaction with us. We had previously entered into a short form mutual non-disclosure agreement, dated October 15, 2010, with Party A, but following the October 22 meeting, we determined to enter into a new non-disclosure agreement with Party A that would contemplate more extensive diligence sharing and would also include customary non-solicitation and standstill provisions. This non-disclosure agreement was entered into between us and Party A on November 1, 2010 and the parties thereafter began to exchange diligence information.

Also on October 22, 2010, at a special meeting of our board of directors, Mr. Mercer reported to the board regarding the discussions and interactions with SMSC with respect to a potential transaction between the two companies. Mr. Bilodeau did not attend this meeting or the portions of any subsequent Conexant or SMSC board meeting during which the potential transaction with SMSC or any related matters were discussed. After discussing potential financial advisors, the board instructed management to retain Qatalyst to act as our financial advisor in connection with a potential sale transaction with SMSC or any other party. The board selected Qatalyst based on the substantial experience one of its principals had with us and the substantial experience and reputation of Qatalyst in the semiconductor and technology marketplace in general. Management also reviewed for the board certain ongoing inquires and discussions with third parties regarding potential partnerships, acquisitions or joint venture relationships with us. The board instructed management to continue these discussions and to work with Qatalyst to identify and contact other potentially interested parties.

Beginning October 25, 2010, at the instruction of our management, Qatalyst contacted four potential strategic parties to gauge their interest in obtaining further information about us in connection with a potential acquisition of our company. Qatalyst selected its list of potential acquirors based on its knowledge of the semiconductor industry, experience with the industry participants and discussions with our management. One of the four targeted parties was Party A, which, as described above, had previously expressed an interest in a potential transaction with us and agreed to explore a potential acquisition. Another of the targeted companies, which we refer to as Party B, indicated, as described below, that it was not interested in an acquisition of the whole company, but that it would consider an acquisition of our imaging business. The two remaining targeted companies declined to proceed. Four other strategic parties were considered by Qatalyst and discussed with our board but were not contacted due to an expected low likelihood of interest and concern about the potential harm to us and to our discussions with SMSC if leaks regarding a potential transaction were to occur.

On October 26, 2010, at the request of Mr. Mercer, Ms. King submitted to Mr. Mercer a written, non-binding proposal for SMSC to acquire us at a price between $2.10 and $2.25 per share, up to 30% of which would be payable in SMSC stock and the remainder in cash, subject to completion of due diligence, SMSC board approval and availability of financing.

On October 28, 2010, representatives of each of Qatalyst and Credit Suisse Securities (USA) LLC, SMSC s financial advisor, which we refer to as Credit Suisse, held a conference call to review SMSC s October 26 non-binding proposal letter and to clarify the timing and next steps of a potential transaction between SMSC and us. In addition, Qatalyst representatives confirmed with Credit Suisse that SMSC understood that, although not expressly addressed in the letter, we would not be willing to accept a financing condition to the transaction.

On November 1, 2010, Qatalyst sent a revised confidentiality agreement to Credit Suisse which contained non-solicitation and standstill provisions; Qatalyst also requested a diligence call to discuss SMSC s revenue.

On November 2, 2010, our representatives had an introductory call with representatives of Party B regarding a potential acquisition of our company. We had previously entered into several mutual non-disclosure agreements with Party B in connection with various business discussions between the parties, most recently in July 2010 with respect to discussions regarding a potential joint venture between the parties. We did not amend this non-disclosure agreement to contemplate due diligence disclosures in connection with a potential acquisition transaction as Party B did not request diligence information from us with respect to an acquisition transaction during the November 2 call or in any subsequent communications with us.

Also on November 2, 2010, representatives of each of Conexant, SMSC, Qatalyst and Credit Suisse held a conference call for SMSC to present information regarding its revenue and growth prospects.

On November 8, 2010, at a special meeting of our board, Qatalyst and our management updated the board on the continued discussions with SMSC, including the details of SMSC s October 26 non-binding proposal. Qatalyst also provided the board with an update on discussions with potential acquirors (including Party A and Party B) and discussed other strategic alternatives and parties, as well as our stand alone plan. After discussion, the board agreed that, other than those that had already been contacted, there were no other parties, including private equity firms or other financial acquirors, that would likely be interested in a potential transaction given our unique market characteristics and substantial debt position. Accordingly, and in light of the potential harm to us and to our discussions with SMSC if leaks regarding a potential transaction were to occur, the board determined that no additional parties should be contacted regarding a potential transaction at that time. After discussion of potential responses to SMSC and how to best maximize stockholder value in both the short term and long term, the board determined to move forward with additional discussions and continued mutual diligence with SMSC and instructed management to work with Qatalyst to formulate a proposed response to SMSC s non-binding proposal.

On November 10, 2010, on a conference call with Ms. King, Mr. Mercer responded to SMSC s October 26 non-binding proposal, indicating that we expected a total price per share of $3.00, of which 50% to 60% would be payable in SMSC stock and the remainder in cash, so that Conexant stockholders could receive a more meaningful participation in the potential synergies of the transaction. In addition, Ms. King and Mr. Mercer discussed the diligence process.

On November 17, 2010, Ms. Hu, Mr. Scherp and representatives of Qatalyst held a follow-up due diligence call with Messrs. Wendelken, Sennesael and Falcon and representatives of Credit Suisse to review our updated financial plan, a copy of which we had provided to SMSC in advance of this call. The updated financial plan included our revised three year financial projections as well as updated quarterly financial projections for our 2011 fiscal year. We had revised the financial projections to reflect the determination by our management that certain of the assumptions used in preparing the projections that we had provided to SMSC in August 2010 had changed due to the weakness in PC and consumer markets.

On November 23, 2010, in a call to Mr. Mercer, the CEO of Party A indicated that Party A was interested in making a proposal to acquire us and would try to submit a proposal in the next week.

On November 29, 2010, in a call to Mr. Mercer, Ms. King made a revised oral, non-binding proposal to acquire us for $2.10 per share, 50% of which would be payable in SMSC stock and the remainder in cash. Mr. Mercer responded on December 1, 2010, in a call to Ms. King, that we would be willing to engage in further discussions at $2.45 per share. Ms. King responded that SMSC had very limited flexibility with respect to the offer price.

On December 1 and December 7, 2010, representatives of Qatalyst spoke with representatives of Party B to discuss Party B s interest in a potential acquisition of our company. Party B advised that it was not interested in acquiring the entire company, but was considering the acquisition of a portion of our company.

On December 6, 2010, representatives of Qatalyst spoke with representatives of Party A s financial advisor regarding Party A s interest in a potential acquisition of our company. The representatives of Qatalyst requested that Party A advise as to when it expected to be able to submit a proposal to us for a potential acquisition transaction. On December 8, 2010, representatives of Qatalyst had a follow-up discussion on this topic with Party A s chief financial officer and business development officer. The representatives of Party A advised that they were not in a position to submit an acquisition proposal to us and that there was no specific timeline for when such a proposal might be forthcoming. They also advised that they had received all information that they needed from us in order to make such a determination, and that they were not seeking further diligence information from us. Neither Party A nor Party B ultimately made an acquisition proposal to us.

On December 8, 2010, at a special meeting of our board, the board received a report from Qatalyst regarding the discussions between the management teams of Conexant and SMSC relating to a potential transaction and the price ranges for such a transaction. Qatalyst also reported to the board regarding the status of discussions with Party A and Party B. The board also discussed with Qatalyst the mix of consideration (stock versus cash) in the event of a transaction between us and SMSC and how such a mix might impact the overall return to stockholders. Qatalyst discussed the potential opportunity for stockholders to participate in any stock price appreciation of the combined company.

On December 9, 2010, Ms. King and Mr. Mercer met at SMSC s San Jose, California office to continue their discussions regarding price and mix of consideration. At the conclusion of these discussions, Ms. King and Mr. Mercer both indicated that they, subject to the negotiation of an acceptable merger agreement, would be prepared to recommend to their respective boards of directors an acquisition of us by SMSC at a price of $2.25 per share of Conexant common stock, with 50% of the merger consideration to be paid in cash and 50% of the merger consideration to be paid in SMSC common stock.

On December 10, 2010, we received from SMSC a draft exclusivity agreement and amendment to the existing mutual non-disclosure agreement, which included, among other things, customary non-solicitation and standstill provisions. We and SMSC, and our respective legal advisors, negotiated the terms of these agreements through December 15, 2010.

On December 12, 2010, representatives of SMSC sent an initial due diligence request list to us. In response to this diligence request, we began populating an electronic data site and beginning on December 15, 2010, representatives and advisors of SMSC were given access to this data site. The data site contained diligence information regarding us, organized in accordance with the due diligence request list provided by SMSC.

On December 14, 2010, at a special meeting of our board, Mr. Mercer reported to the board on his discussions with Ms. King regarding price, timing and the mix of consideration. Management also described to the board SMSC s request that we enter into an exclusivity agreement as a condition to continuing its discussions with us and management s corresponding expectation that SMSC would amend its existing confidentiality agreement with us to include a mutual standstill, which would restrict SMSC s ability to acquire Conexant stock without our prior consent. Qatalyst then reviewed its efforts to gauge interest from other potential strategic parties and expressed its view that, at that point in the process, all likely parties had been contacted and given a reasonable opportunity to express their interest in a potential acquisition of our company and that the only bona fide interested party was SMSC. After discussion with our management, financial advisors and outside counsel, the board authorized management to enter into an exclusivity agreement with SMSC.

On December 15, 2010, we and SMSC entered into the amendment to our mutual non-disclosure agreement (including customary mutual non-solicitation and standstill provisions) and an exclusivity agreement, pursuant to which we agreed to negotiate exclusively with SMSC through January 15, 2011.

On December 20, 2010, Cleary Gottlieb Steen & Hamilton LLP, SMSC s outside legal counsel, provided to OMM an initial draft of the SMSC merger agreement. From December 20, 2010 to January 9, 2011, SMSC and we,

together with our respective outside legal and financial advisors, engaged in negotiations of the SMSC merger agreement and other related documentation, including with respect to representations and warranties, interim operating covenants, solicitation of alternative transactions, conditions to closing, termination rights and termination fees. During this period, tentative agreement on these and other issues was reached by SMSC and us over the course of numerous discussions involving the companies management teams and our respective legal and financial advisors. In addition, during this period, each party continued its due diligence review of the business and operations of the other.

On December 29, 2010, Ms. King; Messrs. Wendelken, Sennesael, Smith and Falcon; Walter Siegel, SMSC s Senior Vice President and General Counsel; and representatives of Credit Suisse met with Ms. Hu; Messrs. Mercer, Chittipeddi and Scherp; Mark Peterson, our Senior Vice President, Chief Legal Officer and Secretary; Michael Vishny, our Senior Vice President, Human Resources; Scott Allen, our Senior Vice President, Communications and Investor Relations; and representatives of Qatalyst at our Newport Beach office and via conference call to discuss diligence efforts and SMSC s updated expected financial results, copies of which we had received on December 27, 2010. In a conversation with Ms. King during the course of these meetings, Mr. Mercer indicated that we wished to explore alternative transaction structures to address the risk that SMSC s stock price would decline due to its earnings results and guidance, and specifically identified having a greater portion of the consideration in cash or a collar with respect to the stock portion of the consideration.

On December 30, 2010, at a special meeting of our board, Qatalyst updated the board with respect to the status of negotiations with SMSC and the anticipated process and timing to reach resolution with respect to the remaining transaction issues. Qatalyst and management also reviewed for the board the results of their business diligence on SMSC, including with respect to the anticipated earnings results and guidance to be issued by SMSC on January 10, 2011. Qatalyst discussed the potential impact on SMSC s stock price from the release by SMSC of its earnings results and guidance, as well as the anticipated concurrent announcement of the SMSC merger transaction. Qatalyst also discussed alternative measures to address the risk of a decrease in SMSC s stock price post-announcement, including seeking a greater portion of the consideration in cash and requesting a collar with respect to the stock portion of the consideration. Mr. Mercer advised the board that he had indicated to SMSC the need to consider these alternatives. OMM also reviewed for the board the terms of the SMSC merger agreement and the remaining open points for negotiation and then addressed questions from the board with respect to the SMSC merger agreement and related negotiations.

On January 2, 2011, Ms. King and Mr. Mercer held a conference call in which they tentatively agreed to a collar structure with respect to the stock portion of the merger consideration, subject to negotiation of the specific terms of the collar.

On January 7, 2011, our management received and reviewed with representatives of Qatalyst SMSC s draft Quarterly Report on Form 10-Q and the related draft earnings release and investor call materials in advance of their planned release and filing on January 10, 2011. Representatives of each of Conexant, Qatalyst, SMSC and Credit Suisse participated in a conference call to discuss these drafts. Representatives of Credit Suisse and Qatalyst exchanged emails to confirm the specific terms of the collar.

On January 8, 2011, at a special meeting of our board, Qatalyst reviewed SMSC s anticipated earnings results and guidance and updated its financial analysis of the merger consideration as well as the basis for its proposed fairness opinion. Qatalyst then delivered to the board an oral opinion, followed by a written opinion dated January 9, 2011, to the effect that, as of these dates and based on and subject to the considerations, limitations and other matters set forth in its written opinion, the consideration proposed to be received by holders of Conexant common stock pursuant to the SMSC merger agreement was fair, from a financial point of view, to such holders (other than SMSC or any affiliate of SMSC). OMM reviewed for the board of directors the revisions to the SMSC merger agreement from the version discussed at the December 30 board meeting. After discussion, our board of directors determined that the SMSC merger agreement and the consummation of the transactions contemplated thereby, including the merger, were advisable and in the best interests of, and fair to, us and our stockholders, approved the SMSC merger agreement and voted to recommend that stockholders vote in favor of the adoption of the SMSC merger agreement.

On January 9, 2011, the SMSC board approved the SMSC merger agreement at a special telephonic meeting and determined that the merger and the terms of the SMSC merger agreement were advisable and fair to and in the best interests of SMSC and its stockholders.

On the afternoon of January 9, 2011, we, SMSC and Merger Sub executed and delivered the SMSC merger agreement. The following morning, we and SMSC issued a joint press release announcing the execution of the SMSC merger agreement.

On January 10, 2011, Qatalyst received an unsolicited oral inquiry from Golden Gate Capital, expressing an interest in a potential all cash acquisition of our company. No price or other material terms or conditions were provided by Golden Gate Capital in its inquiry. In accordance with the terms of the SMSC merger agreement, we promptly notified SMSC of the inquiry.

On January 11, 2011, Mr. Mercer received an unsolicited email inquiry from an investment banker on behalf of an undisclosed company, which we refer to as Party C, expressing its interest in our imaging business. No price or other material terms and conditions were provided by Party C in its inquiry. As such, our board has not received any proposal from Party C that would form the basis of a determination that it would reasonably be expected to result in or lead to a superior proposal, as such term was defined in the SMSC merger agreement or the merger agreement with Gold, described below. Party C has not advised us whether or when it would provide any proposal.

On January 18, 2011, we and Qatalyst each received an unsolicited written proposal from Golden Gate Private Equity, Inc., an affiliate of Golden Gate Capital, to acquire all of the outstanding shares of Conexant common stock at a price in the range of $2.35 to $2.45 per share in cash, subject to certain terms and conditions, including completion of due diligence. In accordance with the terms of the SMSC merger agreement, we promptly notified SMSC of the Golden Gate Capital proposal.

On January 20, 2011, at a special meeting of the board, our management reviewed for the board the written proposal from Golden Gate Capital. Qatalyst also provided its financial analysis of the Golden Gate Capital proposal. After discussion and consultation with Qatalyst and outside legal counsel, the board determined that the Golden Gate Capital proposal would reasonably be expected to result in or lead to a superior proposal, as such term was defined in the SMSC merger agreement, and that the failure to enter into discussions and negotiations with Golden Gate Capital regarding its proposal would reasonably be expected to result in a breach of the fiduciary duties of the board to stockholders under applicable law. The board then authorized management to enter into a non-disclosure agreement and thereafter to furnish non-public information to, and enter into discussions and negotiations with, Golden Gate Capital. In accordance with the terms of the SMSC merger agreement, we promptly notified SMSC of the board s determination.

On the afternoon of January 21, 2011, we contacted Golden Gate Capital to notify it of our board s response to its proposal. On January 22, 2011, we entered into a mutual non-disclosure agreement with Golden Gate Private Equity, Inc. and provided Golden Gate Capital and its representatives with access to our electronic data site.

On the afternoon of January 24, 2011, representatives of Golden Gate Capital met with Mr. Mercer, Mr. Chittipeddi, Ms. Hu, Mr. Peterson and representatives of Qatalyst and OMM at OMM s Newport Beach office to receive management presentations regarding product, market, sales and financial information. At a meeting that evening in Newport Beach, Mr. Mercer, Mr. Chittipeddi, Ms. Hu, Mr. Peterson and representatives of Golden Gate Capital continued their discussions regarding our business as well as the potential fit of our company as a portfolio company for Golden Gate Capital. On January 25, 2011, representatives of Golden Gate Capital met with Ms. Hu at our Newport Beach office to further discuss our financial performance and information.

On January 29, 2011, Ms. Hu, Mr. Chittipeddi and representatives of Qatalyst met with representatives of Golden Gate Capital at Golden Gate Capital s San Francisco office to continue discussions regarding our business, strategy and potential fit with Golden Gate Capital.

On January 31, 2011, we delivered a draft merger agreement to Golden Gate Capital, along with a marked copy showing the differences between such draft and the SMSC merger agreement. From January 31, 2011 through February 20, 2011, our representatives responded to due diligence inquiries from representatives of Golden Gate Capital on various aspects of our business and operations. During this same time period, we and Golden Gate Capital, together with our respective outside legal and financial advisors, engaged in negotiations of a definitive agreement and other related documentation.

On February 10, 2011, Qatalyst received an unsolicited oral inquiry from a private equity firm, which we refer to as Party D, expressing its interest in a potential transaction with us. No price or other material terms and conditions were provided by Party D in its inquiry. As such, our board has not received any proposal from Party D that would form the basis of a determination that it would reasonably be expected to result in or lead to a superior proposal, as such term was defined in the SMSC merger agreement or the merger agreement with Gold, described below. Party D has not advised us whether or when it would provide any proposal.

On February 11, 2011, Qatalyst received an unsolicited oral inquiry from Party B expressing its interest in a potential acquisition of our imaging business. No price or other material terms and conditions were provided by Party B in its inquiry. As such, our board has not received any proposal from Party B that would form the basis of a determination that it would reasonably be expected to result in or lead to a superior proposal, as such term was defined in the SMSC merger agreement or the merger agreement with Gold, described below. Party B has not advised us whether or when it would provide any proposal.

On February 20, 2011, Golden Gate Capital submitted to us a merger agreement, signed by Gold and Merger Sub, along with an equity commitment letter from another affiliate of Golden Gate Capital, providing for the acquisition of Conexant by Gold at a price of $2.40 per share in cash. OMM and Kirkland & Ellis LLP, legal advisors to Golden Gate Capital, discussed certain clarifications to the terms of the merger agreement and the equity commitment letter. In accordance with the terms of the SMSC merger agreement, we promptly notified SMSC of the revised written proposal.

On February 21, 2011, Golden Gate Capital submitted an updated merger agreement, signed by Gold and Merger Sub, along with an updated equity commitment letter. In accordance with the terms of the SMSC merger agreement, we promptly notified SMSC of the revised written proposal.

Later in the afternoon of February 21, 2011, at a special meeting of our board of directors, our management and OMM reviewed for the board the revised written proposal from Golden Gate Capital to acquire all outstanding shares of our common stock at a price of $2.40 per share in cash. Qatalyst also provided its financial analysis of the Golden Gate Capital proposal. After discussion and consultation with Qatalyst and outside legal counsel, the board determined that the Golden Gate Capital proposal constituted a superior proposal, as such term was defined in the SMSC merger agreement. In accordance with the terms of the SMSC agreement, we promptly notified SMSC of the board s determination. The following morning, we issued a press release announcing the board s determination.

On February 22, 2011, SMSC informed us that it did not plan to increase its offer above $2.25 per share in response to the Golden Gate Capital proposal. SMSC also informed us that it had agreed to waive its four day match period under the SMSC merger agreement. The following morning, SMSC issued a press release announcing its intention not to increase its offer and agreement to waive the match period.

On February 23, 2011, at a special meeting of our board, Qatalyst reviewed the basis for its proposed fairness opinion. Qatalyst then delivered to the board an oral opinion, followed by a written opinion dated February 23, 2011, to the effect that, as of such date and based on and subject to the considerations, limitations and other matters set forth in its written opinion, the consideration proposed to be received by holders of Conexant common stock (other than Gold or any affiliate of Gold) pursuant to the merger agreement was fair, from a financial point of view, to such holders. After discussion and consideration of matters described in Recommendation of our Board of Directors as to the Merger; Our Reasons for the Merger, our board of directors determined that the merger agreement and the consummation of the transactions contemplated thereby, including the merger, are advisable and in the best interests of, and fair to, us and our stockholders, approved the merger agreement, voted to recommend that our stockholders vote in favor of the adoption of the merger agreement, and approved termination of the SMSC agreement and payment to SMSC of $7.7 million in respect of the termination fee. Promptly following the special

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meeting of our board, we wired the $7.7 million termination fee to SMSC, notified SMSC that we were terminating the SMSC agreement and executed and delivered to Gold the merger agreement.

Recommendation of our Board of Directors as to the Merger; Reasons for the Merger

In evaluating the merger agreement and the merger, our board of directors consulted with our management and legal and financial advisors and, in reaching its decision to approve the merger agreement and to recommend that stockholders vote in favor of the adoption of the merger agreement, considered a variety of factors supporting the adoption of the merger agreement, including the following:

Merger consideration. Our board considered that the per share merger consideration of $2.40 represented approximately a 12% premium above the per share merger consideration under the SMSC merger agreement (assuming that the closing price of SMSC common stock on February 18, 2011, the last trading day before receipt of the revised Golden Gate Capital proposal, of $23.93 would be the average stock price for purposes of the SMSC merger agreement and the closing price at the time of the proposed SMSC merger). The offer price of $2.40 per share also represented a 54% premium above the average closing price of our common stock for the 30-trading-day period ending on January 5, 2011.

Review of prospects in remaining independent. Our board considered our financial condition, results of operations, and business and earnings prospects if we were to remain independent in light of various factors, including our substantial debt position and long term lease obligations. Our board also considered the potential adverse effects of intense competition in the semiconductor industry in light of our small size and substantial debt burden. Our board concluded that there were significant risks in remaining independent.

SMSC s statement to us that it would not raise its offer. Our board considered SMSC s statement that it would not increase its offer and SMSC s corresponding waiver of the match period under the SMSC merger agreement.

Opinion of Qatalyst. Our board considered the financial analysis reviewed by Qatalyst, including on February 21 and 23, 2011, and Qatalyst s opinion delivered on February 23, 2011, to the effect that, as of such date and based on and subject to the considerations, limitations and other matters set forth in its written opinion, the consideration proposed to be received by holders of our common stock (other than Gold or any affiliate of Gold) pursuant to the merger agreement was fair, from a financial point of view, to such holders. The full text of Qatalyst s written opinion is attached as Annex B to this proxy statement.

In addition, our board of directors considered a number of other factors supporting the fairness of the merger, including the following:

the adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of our common stock entitled to vote at the annual meeting;

subject to certain conditions, the terms of the merger agreement allow our board to exercise its fiduciary duty to consider unsolicited alternative transaction proposals;

subject to certain conditions, the terms of the merger agreement allow our board to change its recommendation that stockholders vote in favor of adoption of the merger agreement;

the fact that the terms of the Gold merger agreement were based on the negotiated terms of the SMSC merger agreement and were generally equally as fair to us as the terms of the SMSC merger agreement;

- the likelihood that the merger would be completed based on, among other things (not necessarily in order of relative importance):
  - the reputation of Golden Gate Capital and its affiliate providing Gold with the equity commitment letter;
  - Golden Gate Capital s ability to complete large acquisition transactions and its familiarity with us;
  - that there is no financing or due diligence condition to the completion of the merger and the merger agreement;
  - the receipt of the executed commitment letter from the affiliate of Golden Gate Capital and the terms of the commitment letter, including the commitment of up to $205 million in funding, the lack of conditionality to the equity commitment letter and the representations regarding availability of financing;
  - our ability, under certain circumstances pursuant to the merger agreement and the equity commitment letter, to seek specific performance of Gold s obligation to cause the equity commitment signatory to make contributions to Gold pursuant to the equity commitment letter; and
  - our ability, pursuant to the merger agreement, to seek specific performance to prevent breaches of the merger agreement by Gold and Merger Sub and to enforce specifically the terms of the merger agreement, subject to certain limitations;
- the absence of any material risk that any governmental authority would prevent or materially delay the merger under any antitrust law; and
- the belief that the termination fee and expense reimbursement provisions under the merger agreement would not unreasonably deter another potential bidder from considering a transaction with us at a higher price.

Our board of directors also considered a variety of risks and other potentially negative factors, including the following:

- the possibility that if we remained an independent entity, the price of our common stock might increase in the future to a price greater than the value of the merger consideration;
- the merger agreement precludes us from actively soliciting alternative transaction proposals from third parties;
- the price per share of common stock reflected by the merger consideration compared to the historical prices of our common stock;
- if the merger agreement is terminated for certain reasons, we may be required to pay a termination fee to Gold of $7.7 million and up to $1 million in expense reimbursements;
- there is no assurance that all conditions to the parties obligations to complete the merger will be satisfied, and therefore it is possible that the merger may not be completed, even if approved by the stockholders;
- between the date of execution of the merger agreement and closing, we will not be able to take certain actions without the consent of Gold, including engaging in certain extraordinary transactions;

- the risks and costs to us if the merger is delayed or not consummated, including the diversion of management s attention and employee attrition and the potential effect on business and customer relationships; and
- the fact that the merger consideration will be taxable to stockholders for U.S. federal income tax purposes.

Our board of directors considered all of the foregoing factors as a whole and concluded that such factors supported its approval of the merger agreement and the consummation of the transactions contemplated thereby, including the merger, and its recommendation that stockholders vote in favor of the adoption of the merger agreement.

The foregoing discussion of the information and factors considered by the board of directors in evaluating the merger agreement and the merger is not exhaustive but does include the material factors considered by the board. Our board did not quantify or assign any relative or specific weight to the various factors that it considered. Rather, our board considered and based its recommendation on the totality of the information presented to it. In addition, individual members of the board may have given no weight or different weights to different factors.

Projected Financial Information

Our management does not, as a matter of course, publicly disclose forecasts or projections as to its future financial performance or earnings, other than quarterly guidance relating to revenues, gross margin and earnings per share. However, our management does, on an annual basis, provide for board and internal review three year financial projections. In preparation for our regularly scheduled August 10, 2010 board meeting, our management prepared financial projections for the fiscal years ending on or about September 30, 2011, 2012 and 2013. In November 2010, our management determined that certain of the assumptions used in preparing the projections had changed due to the weakness in PC and consumer markets. In addition to the three year projections, our management also prepared extended projections for the fiscal years ending on or about September 30, 2014, 2015 and 2016. These projections along with the November 2010 revised projections, referred to collectively as the Conexant projections, were provided to each of SMSC, Gold and Qatalyst and were utilized by Qatalyst, at our direction, for purposes of the financial analyses it rendered to the board of directors in connection with its opinion. See Opinion of Financial Advisor beginning on page 27, and Background of the Merger beginning on page 15.

We have included in this proxy statement a summary of the Conexant projections that we deemed material for purposes of considering and evaluating the merger. Although the projections are presented with numerical specificity, the projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, market and financial conditions, our ability to execute our strategic plan and other matters, all of which are difficult to predict and many of which are beyond our control.

The material estimates and assumptions our management made with respect to the fiscal 2011, 2012 and 2013 portion of the Conexant projections at the time it prepared those projections include:

- Our expectations that our multifunction printer Silicon on a Chip, referred to as SOC, solution would continue to gain traction and the number of consumer electronics manufacturers shipping printers with our products would continue to increase, which for purposes of the Conexant projections, resulted in an increase in total revenues (as a result of these items) of approximately 1% in fiscal 2011, 7% in fiscal 2012 and 6% in fiscal 2013;
- Our expectations that sales of our audio and video products would increase, with new products in these areas expected to gain design wins and our customers expected to increase their sales to end consumers, further stimulating demand for our products, which for purposes of the Conexant projections, resulted in an increase in total revenues (as a result of these items) of approximately 0% in fiscal 2011, 13% in fiscal 2012 and 8% in fiscal 2013;

Our expectations that embedded modem products for fax, set-top boxes, point-of-sale systems and home security systems would not experience significant replacement rate by new technology such as wireless and Ethernet, which for purposes of the Conexant projections, resulted in a decrease in total revenues (as a result of these items) of approximately 13% in fiscal 2011, 8% in fiscal 2012 and 4% in fiscal 2013;

As a result of the foregoing assumptions as well as other assumptions made by our management with respect to the expected growth or decline in revenues from our product lines, our management projected a net decrease of 17% in total revenues for fiscal 2011 (compared to fiscal 2010), a net increase of 15% in total revenues for fiscal 2012 (compared to fiscal 2011) and a net increase of 8% in total revenues for fiscal 2013 (compared to fiscal 2012); and

Our expectations regarding our ability to keep our total operating expenses flat for fiscal 2011 through 2013.

The fiscal 2014, 2015 and 2016 Conexant projections were prepared by applying the following material estimates and assumptions to the fiscal 2013 portion of the Conexant projections:

Revenues were increased annually at an assumed rate of 8% for each of fiscal 2014 and 2015, reflecting our expectations for industry growth and market share gain in audio, video and printer SOC markets. Revenues were increased 6% for fiscal 2016, reflecting our expectations that growth in this fiscal year would be consistent with our expectations for the longer term industry growth rate; and

Our expectations regarding our ability to maintain our gross margin at the same rate as projected for fiscal 2013 and to maintain our operating expenses as a percentage of sales at the same rate as projected for fiscal 2013.

There will likely be differences between actual and projected results, and actual results may be materially greater or less than those contained in the Conexant projections. The projections and their underlying estimates and assumptions are also subject to significant uncertainties related to our business, including, but not limited to, economic conditions, changes in the semiconductor industry and the competitive environment in which we operate. For a discussion of the risks and uncertainties applicable to our business, see our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended October 1, 2010 and our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2010. Accordingly, although the projections set forth below were prepared in good faith based upon assumptions believed to be reasonable at the time the projections were prepared, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected. For the foregoing reasons, the inclusion of these projections should not be regarded as a representation by Conexant, our board of directors, Gold, Merger Sub, Qatalyst or any other recipient of this information that any of them considered, or now considers, the projections to be a prediction of actual future results, and such data should not be relied upon as such.

We believe that the assumptions our management used as a basis for the Conexant projections were reasonable at the time the projections were prepared, given information our management had at the time. However, except to the extent required by applicable federal securities laws, we do not intend, and expressly disclaim any responsibility, to update or otherwise revise the Conexant projections to reflect circumstances existing after the date the projections were prepared. The internal financial forecasts upon which these projections were based are, in general, prepared solely for internal use, such as budgeting and other management decisions, and are subjective in many respects, and thus are susceptible to various interpretations.

We do not as a matter of course make public projections as to future sales, earnings, or other results. However, our management has prepared the prospective financial information set forth below to present to stockholders the nonpublic information made available to the board of directors in connection with its consideration of a possible merger transaction and provided to each of SMSC, Gold and Qatalyst. The accompanying prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective

financial information, but, in the view of our management, was prepared on a reasonable basis. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement are cautioned not to place undue reliance on the prospective financial information.

Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by our management as of the date of its preparation, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information, including, among others, risks and uncertainties, including the following: management expectations regarding sales and revenues; our size and ability to compete in the intensely competitive semiconductor industry; our ability to accurately forecast product demand; lengthy product sales cycles; uncertain results of research and development, referred to as R&D, investments; our debt position and lease obligations; and protection of intellectual property rights. For a discussion of these and other risks and uncertainties applicable to our business, see our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended October 1, 2010. Accordingly, there can be no assurance that the prospective results are indicative of our future performance or that actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this proxy statement should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved. We do not generally publish our business plans and strategies or make external disclosures of our anticipated financial position or results of operations. Accordingly, we do not intend to update or otherwise revise the prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, we do not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions. Additional information relating to the principal assumptions used in preparing the projections is set forth below. For a discussion of various factors that could materially affect our financial condition, results of operations, business, prospects and securities, see our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended October 1, 2010.

A summary of the Conexant projections prepared by management as of November 2010 is as follows:

	Projected Fiscal Year						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
	($ in millions)						
Revenue	$ 241	$ 200	$ 231	$ 250	$ 270	$ 292	$ 309
Operating Income(1)	49	25	43	52	54	58	62
Unlevered Free Cash Flow(2)	$ 37	$ 34	$ 41	$ 50	$ 51	$ 56	$ 59

(1) Operating income, as used in the Conexant projections, is a financial measure that is not presented in accordance with accounting principles generally accepted in the United States, referred to as GAAP, and does not reflect any deduction for non-cash stock compensation expense.

(2) Unlevered free cash flow is a non-GAAP financial measure calculated by starting with operating income and subtracting taxes, capital expenditures and changes in working capital and then adding back depreciation and amortization expense.

Readers of this proxy statement are cautioned not to place undue reliance on the financial projections set forth above. No one has made or makes any representation to such readers regarding the information included in these projections or our future financial results.

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Opinion of Qatalyst Partners LP

Conexant retained Qatalyst as its financial advisor for the purpose of advising Conexant in connection with a potential transaction such as the merger and to evaluate whether the consideration to be received in the merger by the holders of Conexant common stock (other than Gold or any affiliate of Gold), whom we refer to as the holders, was fair, from a financial point of view, to such holders. At the meeting of Conexant s board of directors on February 23, 2011, Qatalyst rendered its oral opinion that, as of such date and based upon and subject to the considerations, limitations and other matters set forth therein, the consideration to be received by the holders in the merger was fair, from a financial point of view, to such holders. The written opinion of Qatalyst, delivered following the board meeting and dated February 23, 2011, is sometimes referred to herein as the Qatalyst opinion.

The full text of the Qatalyst opinion, which describes the considerations, limitations and other matters upon which such opinion is based or to which such opinion is subject, is attached as Annex B and is incorporated herein by reference. The summary of the Qatalyst opinion set forth herein is qualified in its entirety by reference to the full text of the opinion. Conexant stockholders should read the Qatalyst opinion carefully and in its entirety. The Qatalyst opinion was provided to Conexant s board of directors and addresses only the fairness, as of the date of the Qatalyst opinion and from a financial point of view, to the holders of the merger consideration to be received by the holders in the merger, and does not address any other aspect of the merger. The Qatalyst opinion does not constitute a recommendation as to how any stockholder of Conexant should vote with respect to the merger or any other matter and does not in any manner address the price at which the Conexant common stock will trade at any time.

In arriving at its opinion, Qatalyst reviewed the merger agreement, certain related documents and certain publicly available financial statements and other business and financial information of Conexant. Qatalyst also reviewed certain financial projections and operating data prepared by the management of Conexant, which we refer to as the Conexant projections. The Conexant projections are summarized above under the heading Projected Financial Information of Conexant. Additionally, Qatalyst discussed the past and current operations and financial condition and the prospects of Conexant with senior executives of Conexant. Qatalyst also reviewed the historical market prices and trading activity for Conexant common stock and compared the financial performance of Conexant and the prices and trading activity of Conexant common stock with that of certain other selected publicly-traded companies and their securities. In addition, Qatalyst reviewed the financial terms, to the extent publicly available, of selected acquisition transactions and performed such other analyses, reviewed such other information and considered such other factors as it deemed appropriate.

In arriving at its opinion, Qatalyst assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to, or discussed with, it by Conexant. With respect to the Conexant projections, Qatalyst was advised by the management of Conexant, and Qatalyst assumed, that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Conexant of the future financial performance of Conexant and other matters covered thereby. Qatalyst assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement, without any modification, waiver or delay. In addition, Qatalyst assumed that in connection with the receipt of all the necessary approvals of the proposed merger, no delays, limitations, conditions or restrictions will be imposed that could have an adverse effect on Conexant. Qatalyst did not make any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Conexant, nor was it furnished with any such evaluation or appraisal. In addition, Qatalyst relied, without independent verification, upon the assessment of the management of Conexant as to the existing and future technology and products of Conexant and the risks associated with such technology and products.

The Qatalyst opinion was approved by the opinion committee of Qatalyst, in accordance with Qatalyst s customary practice. Qatalyst provided its advisory services and opinion for the information and assistance of Conexant s board of directors in connection with its consideration of the merger.

The Qatalyst opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Qatalyst as of, the date of the Qatalyst opinion. Events occurring after the date of the Qatalyst opinion may affect the Qatalyst opinion and the assumptions used in preparing it, and Qatalyst has not

assumed any obligation to update, revise or reaffirm the Qatalyst opinion. The Qatalyst opinion does not

address the underlying business decision of Conexant to engage in the merger, or the relative merits of the merger as compared to any strategic alternatives that may have been available to Conexant. The Qatalyst opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the holders pursuant to the merger agreement. Qatalyst expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of Conexant s officers, directors or employees, or any class of such persons, relative to such consideration.

In accordance with customary investment banking practice, Qatalyst employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses undertaken by Qatalyst in connection with rendering the Qatalyst opinion. Considering the numerical values set forth below without considering the scope of the financial analyses, including the full narrative description thereof and the methodologies and assumptions underlying such analyses, could create a misleading or incomplete view of Qatalyst s financial analyses.

In performing its analyses, Qatalyst relied upon, among other things, certain publicly-available Wall Street analyst estimates, which we refer as the Street projections, as well as the Conexant projections, each of which were reviewed and discussed with Conexant s board of directors for use in connection with its evaluation of the merger (and Qatalyst s performance of its analysis and rendering of its opinion in connection with the merger).

Illustrative Discounted Cash Flow Analysis

Qatalyst conducted an illustrative discounted cash flow, or DCF, analysis, which is designed to imply a potential value of a company by calculating the net present value of estimated future cash flows of the company. Qatalyst calculated ranges of implied per share values for Conexant common stock based on such net present values.

Qatalyst calculated the net present value of unlevered free cash flows for Conexant for the last three quarters of the fiscal year ended September 30, 2011 through fiscal 2015 as derived from the Conexant projections and calculated the terminal value at the end of fiscal 2015 by applying a range of multiples of 1.2x to 1.7x to Conexant s estimated next twelve months (fiscal 2016) revenue. Qatalyst determined the ranges of multiples used based on the observed multiples of revenue for Conexant and the selected companies analyzed (see below under Selected Companies Analysis for listing of companies), with particular emphasis on those companies having industry, growth and margin characteristics determined to be most similar to those of Conexant in the Conexant projections. These values were then discounted to present values using a discount rate ranging from 14.5% to 19.0% based upon Conexant s weighted average cost of capital. Qatalyst then applied a dilution factor of 14.0% to illustrate the net dilution to current stockholders due to the net effect of projected future equity awards. Based on the calculations set forth above, this analysis yielded an illustrative range of implied per share present values for Conexant common stock from $1.92 to $3.20.

Qatalyst conducted a further DCF analysis to illustrate the sensitivity of discounted present value to changes in revenue and operating margin. In its sensitivity analysis, Qatalyst calculated the implied present value per share of Conexant common stock by assuming a compound annual growth rate, or CAGR, in revenue from fiscal 2011 to fiscal 2016 ranging from 5% to 10%, as compared to a 9% CAGR in the Conexant projections. Qatalyst further calculated the implied present value per share of Conexant common stock by assuming a reduction in the operating margin in the Conexant projections in each of fiscal 2012 to fiscal 2016 from 5.0% to 0.0%, which resulted in a fiscal 2016 operating margin range of 15.0% to 20.0%, as compared to 20.0% in the Conexant projections. This further analysis employed as a constant for illustrative purposes a 1.45x multiple of next twelve months (fiscal 2016) revenue for calculating terminal value, a 16.75% discount rate, and a dilution factor of 14.0%. These calculations resulted in implied present values per share ranging from $1.67 to $2.65, as compared to an implied present value of $2.51 per share based on the Conexant projections (and the illustrative constants described in the prior sentence).

Selected Companies Analysis

Qatalyst compared selected financial information and public market multiples for Conexant with publicly available information and public market multiples for selected semiconductor companies. The companies used in this comparison included those companies listed below:

Semiconductor Providers Market Capitalization Greater than $1 Billion:

- STMicroelectronics, Inc.
- Avago Technologies Limited
- NXP Semiconductors N.V.
- ON Semiconductor Corporation
- Cypress Semiconductor Corporation
- LSI Corporation
- Silicon Laboratories Inc.
- Cirrus Logic, Inc.
- Intersil Corporation
- Semtech Corporation
- Dialog Semiconductor PLC
- Integrated Device Technology, Inc
- CSR PLC

Semiconductor Providers Market Capitalization Less than $1 Billion:

- Realtek Semiconductor Corp.
- Micrel, Incorporated
- Silicon Image, Inc.
- Wolfson Microelectronics PLC
- Standard Microsystems Corporation
- Zoran Corporation
- Gennum Corporation
- O2Micro International Limited
- Zarlink Semiconductor Inc.
- Pericom Semiconductor Corporation
- PLX Technology, Inc.

None of the selected companies reviewed is identical to Conexant. These companies were selected, among other reasons, because they are publicly traded companies in Conexant s industry and/or have operating and financial characteristics that, for purposes of this analysis, may have similarities with those of Conexant. For each of the following analyses performed by Qatalyst, estimated financial data for the selected companies other than Conexant were based on Wall Street analyst research and estimates.

Based upon the then most recent research analyst estimates for calendar year 2011, Qatalyst calculated, among other things, the implied fully-diluted enterprise value divided by the estimated revenue for calendar year 2011, which we refer to as the CY11E revenue multiple, for each of the selected companies. The median, mean, high and low CY11E revenue multiples among the semiconductor providers with market capitalizations greater than $1 billion were 2.6x, 2.4x, 4.3x and 0.8x, respectively. The median, mean, high and low CY11E revenue multiples among the semiconductor providers with market capitalizations less than $1 billion were 1.1x, 1.4x, 2.5x and 0.5x, respectively.

Based on an analysis of the CY11E revenue multiple for each of the selected companies, Qatalyst selected a representative range of 1.2x to 1.7x and applied this range to Conexant s estimated calendar year 2011 revenue. Qatalyst selected the representative range of 1.2x to 1.7x based on the observed CY11E revenue multiples of the companies analyzed, with particular emphasis on those companies having growth and margin characteristics determined to be most similar to those of Conexant. Based on the calculations set forth above, this analysis implied a range of values for Conexant common stock of $1.58 to $2.81 per share based on the Conexant projections and $1.30 to $2.41 per share based on the Street projections.

Based upon the then most recent research analyst estimates for calendar year 2011, Qatalyst calculated, among other things, the closing stock price as of February 22, 2011 divided by the estimated earnings per share for

calendar year 2011, which we refer to as the CY11E P/E multiple, for each of the selected companies. The median, mean, high and low CY11E P/E multiples among the semiconductor providers with market capitalizations greater than $1 billion were 13.1x, 14.2x, 22.6x and 10.1x, respectively. The median, mean, high and low CY11E P/E multiples among the semiconductor providers with market capitalizations less than $1 billion were 15.8x, 18.6x, 35.5x and 11.5x, respectively. The mean and median CY11E P/E multiples of the companies analyzed with market capitalizations less than $1 billion were skewed higher by those of certain companies that had low profits.

Based on an analysis of the CY11E P/E multiple for each of the selected companies, Qatalyst selected a representative range of 11.0x to 18.0x and applied this range to Conexant s estimated calendar year 2011 earnings per share. Qatalyst selected the representative range of 11.0x to 18.0x based on the observed CY11E P/E multiples of the companies analyzed, with particular emphasis on those companies having growth and margin characteristics determined to be most similar to those of Conexant. Based on the calculations set forth above, this analysis implied a range of values for Conexant common stock of $1.14 to $1.86 per share based on the Conexant projections.

Selected Transactions Analysis

Qatalyst reviewed certain information with respect to a set of acquisition transactions involving companies in the semiconductor industry announced between February 2006 and February 2011. None of these transactions were by themselves directly comparable to the merger, although each could be considered similar to the merger (although not necessarily to each other) in certain limited respects. Because of the unique circumstances of each of these transactions and the merger, Qatalyst cautioned against placing undue reliance on the information.

Target	Acquiror
Zoran Corporation	CSR PLC
Atheros Communications Inc.	Qualcomm Inc.
Gigle Semiconductor Inc.	Broadcom Corporation
Actel Corporation	Microsemi Corporation
Microtune, Inc.	Zoran Corporation
Teridian Semiconductor Corporation	Maxim Integrated Products, Inc.
Techwell, Inc.	Intersil Corporation
TrendChip Technologies Corporation	Ralink Technology Corporation
California Micro Devices Corporation	ON Semiconductor Corporation
Sierra Monolithics, Inc.	Semtech Corporation
Intellon Corporation	Atheros Communications Inc.
Tundra Semiconductor Corporation	Integrated Device Technology, Inc
Catalyst Semiconductor, Inc.	ON Semiconductor Corporation
SigmaTel, Inc.	Freescale Semiconductor, Inc.
AMIS Holdings, Inc.	ON Semiconductor Corporation
Genesis Microchip Incorporated	STMicroelectronics, Inc
Analog Devices, Inc. (PC Thermal Monitoring Business)	ON Semiconductor Corporation
Sirenza Microdevices, Inc.	RF Micro Devices, Inc.
Legerity Holdings, Inc.	Zarlink Semiconductor Inc.
Sipex Corporation	Exar Corporation
Agere Systems Inc.	LSI Corporation
PortalPlayer, Inc.	NVIDIA Corporation
International Rectifier Corporation (Power Products Business)	Vishay Intertechnology, Inc.
PowerDsine Ltd.	Microsemi Corporation
Freescale Semiconductor, Inc.	Investor Group
ATI Technologies Inc.	Advanced Micro Devices, Inc.
Lexar Media, Inc.	Micron Technology, Inc.

Avago Technologies Limited (Printer ASIC Business)

Marvell Technology Group Ltd.

For each of the transactions listed above, Qatalyst reviewed, among other things, the implied fully-diluted enterprise value of the target company divided by the next twelve months estimated revenue of the target company reflected in Wall Street analyst research, certain publicly available financial statements and press releases. The median, mean, high and low of the next twelve months estimated revenue multiples were 1.8x, 1.9x, 4.2x and 0.3x, respectively. Based on the analysis of such metrics for the transactions noted above and its professional judgment as to the similarities and differences between the various transactions listed above and the merger, Qatalyst selected a representative range of 0.8x to 1.8x and applied this range of multiples to Conexant s next twelve months estimated revenue reflected in the Street projections. Based on the calculations set forth above, this analysis implied a range of values for Conexant common stock of $0.41 to $2.63 per share.

Qatalyst also performed and considered various other financial statistics in connection with the Qatalyst opinion.

Miscellaneous

In connection with the review of the merger by Conexant s board of directors, Qatalyst performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Qatalyst considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Qatalyst believes that selecting any portion of its analyses, without considering all analyses as a whole, could create a misleading or incomplete view of the process underlying its analyses and opinion. In addition, Qatalyst may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Qatalyst s view of the actual value of Conexant. In performing its analyses, Qatalyst made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Conexant. Any estimates contained in Qatalyst s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. Qatalyst conducted the analyses described above solely as part of its analysis of the fairness, from a financial point of view, of the consideration to be received by the holders pursuant to the merger agreement, and in connection with the delivery of its opinion to Conexant s board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of Conexant common stock might actually trade. The Qatalyst opinion and its presentation to Conexant s board of directors was one of many factors taken into consideration by Conexant s board of directors in deciding to approve the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of Conexant s board of directors with respect to the per share merger consideration or of whether Conexant s board of directors would have been willing to agree to a different per share merger consideration. The per share merger consideration was determined through arm s-length negotiations between Conexant and Gold and was approved by Conexant s board of directors. Qatalyst provided advice to Conexant during these negotiations. Qatalyst did not, however, recommend any specific per share merger consideration to Conexant or that any specific per share merger consideration constituted the only appropriate merger consideration for the merger.

As a part of its investment banking business, Qatalyst and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Qatalyst was selected on the basis of such experience and its familiarity with Conexant to advise Conexant s board of directors in connection with the merger and to deliver an opinion to Conexant s board of directors addressing the fairness, from a financial point of view, of the consideration to be received by the holders pursuant to the merger agreement.

Qatalyst acted as financial advisor to Conexant s board of directors in connection with Conexant s proposed transaction with Standard Microsystems Corporation and, in that capacity, delivered an opinion to Conexant s board of directors on January 9, 2011 in connection with which Qatalyst became entitled to a fee for its services. Qatalyst will also receive an additional, larger fee if the merger is consummated. In addition, Conexant agreed to reimburse certain of Qatalyst s expenses incurred in performing its services and to indemnify Qatalyst, its affiliates, and their respective members, directors, officers, partners, agents, employees and controlling persons

against certain liabilities related to or arising out of Qatalyst s engagement, including liabilities under federal securities laws. Except as set forth above, during the two-year period prior to the date of the Qatalyst opinion, no other material relationship existed between Qatalyst or any of its affiliates and Conexant, Gold or any of their respective affiliates pursuant to which compensation was received by Qatalyst or its affiliates; however, Qatalyst and/or its affiliates may in the future provide investment banking and other financial services to Conexant, Gold or their respective affiliates for which they would expect to receive compensation.

Qatalyst provides investment banking and other services to a wide range of corporations, domestically and offshore, from which conflicting interests or duties may arise. In the ordinary course of these activities, affiliates of Qatalyst may at any time hold long or short positions, and may trade or otherwise effect transactions in debt or equity securities or loans of Conexant, Gold or certain of their respective affiliates.

Financing of the Merger

We anticipate that the total amount of funds necessary to pay the aggregate merger consideration will be approximately $204 million, not including payment of related transaction fees and expenses. Gold and Merger Sub have represented that the net proceeds contemplated by the equity commitment (described below) will, together with cash and cash equivalents available to Gold, be sufficient to consummate the merger, including payment of the aggregate merger consideration and transaction costs and expenses in accordance with the terms and conditions of the merger agreement. The merger is not subject to a financing condition.

Prior to our execution of the merger agreement, Gold entered into, and provided a copy to us of, an equity commitment letter with an affiliate of Gold, referred to as the equity commitment signatory, in support of Gold s payment and other obligations under the merger agreement. The equity commitment signatory has agreed to purchase up to $205 million of debt or equity securities of Gold in order to fund the merger, referred to as the equity commitment. Subject to certain conditions, Gold may assign a portion of its equity commitment to one or more of its affiliates. The equity commitment is generally subject to, and conditioned upon the satisfaction in full of each and all of the conditions precedent to Gold s and Merger Sub s obligation to effect the merger set forth in the merger agreement and to the contemporaneous closing of the merger.

The equity commitment will, with certain exceptions, terminate and expire on the earliest to occur of (i) the consummation of the merger, (ii) the termination of the merger agreement in accordance with its terms, (iii) an amendment to the merger agreement not consented to in writing by the equity commitment signatory, (iv) the date as of which the equity commitment signatory invests or has otherwise cause to be irrevocably funded to Gold an amount or cumulative amounts equal to the unfunded portion of the equity commitment, and (v) July 31, 2011.

Gold and Merger Sub have undertaken to do all things necessary to arrange and obtain the equity commitment and not to permit any amendment or modification to be made to, or any waiver of any provision or remedy under, the equity commitment, if such amendment would (i) reduce the aggregate amount of the equity funding or (ii) impose new or additional conditions, or otherwise amend, modify or expand any conditions, to the receipt of the equity funding. Gold and Merger Sub have further agreed to (i) maintain in effect the equity commitment, (ii) satisfy on a timely basis all conditions to obtaining the equity funding in the equity commitment applicable to Gold and Merger Sub, (iii) consummate the equity funding at or prior to the closing of the merger, and (iv) fully enforce the equity commitment signatory s obligations and Gold s and Merger Sub s rights under the equity commitment.

Interests of Executive Officers and Directors in the Merger

In considering the recommendation of the board of directors with respect to the adoption of the merger agreement, stockholders should be aware that our executive officers and directors have interests in the merger that may be different from, or in addition to, those of stockholders generally. The board of directors was aware of these interests and considered them, among other matters, in reaching its decisions to approve the merger agreement and to recommend that stockholders vote in favor of the adoption of the merger agreement.

Treatment of Options and Other Stock-Based Awards

The merger agreement provides that each option to acquire Conexant common stock granted under our equity compensation plans that is outstanding immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into the right to receive, with respect to each such option, an amount of cash equal to the excess, if any, of the per share merger consideration over the exercise price per share under the option for each share subject to such option. After the effective time of the merger, any such cancelled stock option will no longer be exercisable by the former holder of such option, but will only entitle such holder to the payment described in the preceding sentence. Any option with an exercise price greater than or equal to the per share merger consideration shall be cancelled without consideration and be of no further force and effect. In addition, at the effective time of the merger, the vesting of each share of restricted stock will be accelerated, and each such share will be cancelled and converted into the right to receive the per share merger consideration. Each option to purchase shares of Conexant common stock and each restricted share held by any executive officer or director of Conexant immediately prior to the effective time of the merger will be treated in the same manner as all other stock options and restricted shares, respectively, in the merger.

The merger agreement also provides that each RSU that, as of the effective time of the merger, is outstanding and either (1) vested, (2) held by a non-employee director, or (3) held by a management-level employee at the rank of senior vice president or above will be cancelled and converted into the right to receive, with respect to each such unit, an amount of cash equal to the per share merger consideration. With respect to each RSU that, as of the effective time of the merger, is outstanding and held by an employee of Conexant and that is not otherwise described above, such RSU will be cancelled at the effective time of the merger and the holder of such RSU will be entitled to receive with respect to each RSU on the date that the RSU would have otherwise vested had the effective time not occurred an amount of cash equal to the per share merger consideration; provided that such payment will only be required if (a) the employee continues to be employed continuously by the surviving corporation through and including the original vesting date of such RSUs and (b) the employee has not otherwise been issued or granted any incentive compensation following the effective time of the merger (but prior to such original vesting date) that the surviving corporation s board of directors has determined in good faith in its sole discretion to be an appropriate replacement for such RSUs. All other RSUs will be cancelled without consideration and be of no further force and effect.

For a more detailed discussion of the terms of the merger agreement with respect to the treatment of outstanding equity awards in connection with the merger, see The Merger Agreement Treatment of Conexant Stock Options and Other Equity-Based Awards beginning on page 42.

Summary of Transaction Benefits Related to Outstanding Equity Awards Payable to Executive Officers and Directors

The following table indicates the number of shares of Conexant common stock underlying vested and unvested equity awards held by our executive officers and directors as of March 1, 2011, and, with respect to outstanding stock options, the weighted average exercise price thereof.

	Number of Shares Underlying Vested Stock Options	Weighted Average Exercise Price of Vested Stock Options	Number of Shares Underlying Unvested Stock Options	Weighted Average Exercise Price of Unvested Stock Options	Number of Shares Underlying Restricted Share Awards	Number of Shares Underlying Restricted Stock Unit Awards
Executive Officers						
D. Scott Mercer	13,434	$ 25.60	500	$ 8.70		725,000
Sailesh Chittipeddi	70,000	$ 15.60		$		450,000
Christian Scherp	70,000	$ 17.84		$		450,000
Jean Hu	53,174	$ 17.29		$		362,500
Mark D. Peterson	56,667	$ 4.50	28,333	$ 4.50		245,833
Non-Employee Directors						
William E. Bendush	2,000	$ 6.10	2,000	$ 6.10		49,000
Steven J. Bilodeau	15,594	$ 38.93	1,000	$ 7.34		49,000
F. Craig Farrill	23,771	$ 24.24	1,000	$ 7.34	376	49,000
Balakrishnan S. Iyer	70,831	$ 30.69	1,000	$ 7.34		49,000
Matthew E. Massengill	2,000	$ 6.10	2,000	$ 6.10		49,000
Jerre L. Stead	23,771	$ 24.24	1,000	$ 7.34	5,635	49,000

Executive Employment Agreements

As described in more detail below under the heading Executive Compensation Employment and Separation Agreements, agreements between us and each of Messrs. Mercer, Scherp, Chittipeddi and Peterson and Ms. Hu contain provisions pursuant to which, in the event we terminate such individual s employment without cause or, in the case of Messrs. Mercer and Peterson, if the executive resigns for good reason (as such terms are defined in the employment agreements), the named executive officer will become entitled to specified severance benefits. For purposes of clarity, these severance protections apply whether or not a change of control occurs the severance benefits are not enhanced in connection with a change of control. Each employment agreement also restricts the individual from competing with us or soliciting our employees or customers during the employment period and for 12 months thereafter. Pursuant to the employment agreements, in the event a change of control (as defined in the employment agreements) occurs, each named executive officer s then outstanding and unvested stock options and time-based restricted stock and RSU awards would become fully vested.

In the event that Mr. Mercer s benefits are subject to the excise tax imposed on certain change of control payments under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, referred to as the Code, we will make an additional payment to him so that the net amount of such payments (after taxes) he receives is sufficient to pay the excise tax due (a gross-up payment).

In addition to the foregoing, prior to the closing, some or all of our executive officers may discuss or enter into agreements, arrangements or understandings with Gold or Merger Sub regarding their continued employment with the surviving corporation, or the right to purchase or participate in the equity of Gold.

Summary of Potential Non-Equity-Based Benefits to Executive Officers

The following table indicates the dollar values of the potential non-equity based benefits that would be payable to our executive officers under the executive employment agreements and the other compensation arrangements upon the effective time of the merger, assuming that the executive officers experienced a termination of employment under one

of the circumstances described above and further assuming that both the effective time of the merger and such termination of employment occurred on February 20, 2011. For a detailed description of the benefits payable to the named executive officers as a result of the merger or as a result of certain terminations of the executive s employment with us, see the information below under the heading Executive Compensation Employment and Separation Agreements.

Executive Officers		Total Potential Non-Equity-Based Transaction Benefits(1)		Estimated Tax Gross-Up Payment(2)
D. Scott Mercer	$	3,084,098	$	1,668,210
Sailesh Chittipeddi	$	429,876	$	
Christian Scherp	$	395,974	$	
Jean Hu	$	364,584	$	
Mark D. Peterson	$	336,358	$	

(1) These amounts include the value of cash severance payments and continued health insurance benefits due under the executive agreements.

(2) Pursuant to the terms of Mr. Mercer s employment agreement, Mr. Mercer would be entitled to a gross-up payment for any excise taxes that may be due by reason of Sections 280G and 4999 of the Code. Such excise taxes may be due by reason of certain equity and non-equity based transaction benefits.

Indemnification; Directors and Officers Insurance

For six years after the effective time of the merger, Conexant, as the surviving corporation, will, and Gold will cause the surviving corporation to, indemnify and hold harmless or will cause to indemnify and hold harmless each of our or any of our subsidiaries current or former directors and officers from and against, and advance expenses in respect of, any costs, fees and expenses (including reasonable attorneys fees and investigation expenses), judgments, fines, losses, claims, damages, liabilities, and amounts paid in settlement in connection with any claim, action, suit, proceeding, investigation, or inquiry, whether civil, criminal, administrative, or investigative arising out of or pertaining to (i) any action or omission or alleged action or omission in such person s capacity as a director, officer, employee, or agent of Conexant or any of our subsidiaries (regardless of whether such action or omission, or alleged action or omission, occurred prior to, at, or after the effective time of the merger) or (ii) any of the transactions contemplated by the merger agreement.

In addition, for six years after the effective time of the merger, the surviving corporation will, and Gold will cause the surviving corporation to, maintain policies of directors and officers liability insurance covering each person described above entitled to indemnification and any other person currently covered by our directors and officers liability insurance policies. Such policies must cover acts or omissions occurring on or prior to the effective time of the merger and provide at least the same coverage and amounts and contain terms that are in the aggregate no less advantageous to the insured parties than those contained in our policies in effect on the date of the merger agreement, subject to a maximum annual premium of no more than 300% of the annual premium currently being paid by us. In the event that the annual premium is in excess of 300% of that currently being paid by us, the surviving corporation will, and Gold will cause the surviving corporation to, provide a policy that it reasonably believes has the greatest coverage as can be purchased for such premium. We have the option under the merger agreement to purchase a six-year tail prepaid policy to satisfy the surviving corporation s and Gold s obligations described in this paragraph.

For a period not less than the applicable statutes of limitations, the surviving corporation will, and Gold will cause the surviving corporation to, comply with all our obligations in existence or effect as of the date of the merger agreement under applicable law, our certificate of incorporation or our bylaws or by contract relating to the exculpation, indemnification and advancement of expenses to any current or former officer or director of Conexant or any of our subsidiaries. For a period of six years from and after the effective time of the merger, the surviving corporation s certificate of incorporation and bylaws will contain provisions with respect to exculpation, advancement of expenses and indemnification that are at least as favorable to the intended beneficiaries as those contained in our certificate of incorporation and bylaws as in effect on the date of the merger agreement, subject to applicable law.

Appraisal Rights

Any holder of Conexant common stock who does not vote in favor of the adoption of the merger agreement and who properly demands appraisal of his, her or its shares will be entitled to have the fair value of his, her or its shares (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially

determined and paid to the holder in cash (together with interest, if any) in the amount judicially determined to be the fair value, provided that the holder complies with the provisions of Section 262 of the DGCL.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL, and is qualified in its entirety by the full text of Section 262, which is provided in its entirety as Annex C to this proxy statement. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that stockholders exercise their appraisal rights. All references in Section 262 and in this summary to a holder or stockholder are to the record holder of the shares of Conexant common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of Conexant common stock held of record in the name of another person, such as a bank, broker or other nominee, must act promptly to cause the record holder to follow properly the steps summarized below in a timely manner to perfect appraisal rights.

Under Section 262, where a merger agreement is to be submitted for adoption at a meeting of stockholders, as in the case of our annual meeting, the corporation, not less than 20 days before the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in that notice a copy of Section 262. This proxy statement constitutes that notice and the applicable statutory provisions of the DGCL are attached to this proxy statement as Annex C. Any stockholder who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review carefully the following discussion and Annex C to this proxy statement. Failure to comply with the procedures specified in Section 262 timely and properly will result in the loss of appraisal rights. Moreover, because of the complexity of the procedures for exercising the right to seek appraisal of Conexant common stock, we believe that stockholders who consider exercising such appraisal rights should seek the advice of legal counsel.

Any holder of Conexant common stock wishing to exercise the right to demand appraisal under Section 262 of the DGCL must satisfy each of the following conditions:

- as more fully described below, the holder must deliver to us a written demand for appraisal of the holder s shares before the vote on the merger agreement at our annual meeting, which demand will be sufficient if it reasonably informs us of the identity of the holder and that the holder intends to demand the appraisal of the holder s shares;
- the holder must not vote the holder s shares of Conexant common stock in favor of adoption of the merger agreement; a validly submitted proxy which does not contain voting instructions with respect to Proposal No. 1 will, unless revoked, be voted in favor of adoption of the merger agreement and it will constitute a waiver of the stockholder s right of appraisal and nullify any previously delivered written demand. Therefore, a stockholder who submits a proxy and who wishes to exercise appraisal rights must vote against adoption of the merger agreement or abstain from voting on adoption of the merger agreement; and
- the holder must continuously hold the shares from the date of making the demand through the effective date of the merger; a stockholder who is the record holder of shares of Conexant common stock on the date the written demand for appraisal is made but who thereafter transfers those shares before the effective date of the merger will lose any right to appraisal in respect of those shares.

Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to adopt the merger agreement will constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any such proxy or vote.

Only a holder of record of shares of Conexant common stock issued and outstanding immediately before the effective date of the merger is entitled to assert appraisal rights for the shares in that holder s name. A demand for appraisal should be executed by or on behalf of the stockholder of record, fully and correctly, as the stockholder s name appears on our stock records, and should specify the stockholder s name and mailing address, the number of shares of common stock owned and that the stockholder intends to demand appraisal of the fair value of the stockholder s common stock. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity. If the shares are owned of

record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for such owner or owners. A record holder such as a bank or broker who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners while not exercising appraisal rights with respect to the shares held for one or more other beneficial owners. In such case, the written demand should set forth the number of shares as to which appraisal is sought, and where no number of shares is expressly mentioned the demand will be presumed to cover all shares held in the name of the record owner. Stockholders who hold their shares in bank or brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their banks, brokers or nominees to determine appropriate procedures for the making of a demand for appraisal by the nominee.

A stockholder who elects to exercise appraisal rights under Section 262 should mail or deliver a written demand to:

Conexant Systems, Inc.
4000 MacArthur Blvd.
Newport Beach, California 92660
Attention: Corporate Secretary

Within 10 days after the effective date of the merger, we, as the surviving corporation, must send a notice as to the effectiveness of the merger to each former stockholder who has made a written demand for appraisal in accordance with Section 262 and who has not voted to adopt the merger agreement. Within 120 days after the effective date of the merger, but not thereafter, either we or any dissenting stockholder who has complied with the requirements of Section 262 may commence an appraisal proceeding by filing a petition in the Delaware Court of Chancery demanding a determination of the value of the shares of common stock held by all dissenting stockholders. We are under no obligation to and have no present intention to file a petition for appraisal, and stockholders seeking to exercise appraisal rights should not assume that we will file such a petition. Accordingly, stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Inasmuch as we have no obligation to file such a petition, the failure of a stockholder to do so within the period specified could nullify the stockholder s previous written demand for appraisal.

Within 120 days after the effective date of the merger, any stockholder who has complied with the provisions of Section 262 to that point in time will be entitled to receive from the surviving corporation, upon written request, a statement setting forth the aggregate number of shares not voted in favor of adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The surviving corporation must mail that statement to the stockholder within 10 days after receipt of the request or within 10 days after expiration of the period for delivery of demands for appraisals under Section 262, whichever is later. A person who is the beneficial owner of shares of Conexant common stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, file a petition or may request from us the statement described in this paragraph.

A stockholder timely filing a petition for appraisal with the Delaware Court of Chancery must deliver a copy of the petition to us, which will then be obligated within 20 days to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares and with whom we have not reached agreements as to the value of their shares. After notice to those stockholders, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine which stockholders are entitled to appraisal rights. The Register in Chancery, if so ordered by the Delaware Court of Chancery, will give notice of the time and place fixed for the hearing of such petition by registered or certified mail to us and to the stockholders shown on the list at the addresses stated therein. Such notice will also be given by one or more publications at least one week before the date of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Delaware Court of Chancery deems advisable. The Delaware Court of Chancery may require stockholders who have demanded an appraisal for their shares and who hold stock

represented by certificates to submit their certificates to the Register in Chancery for notation thereon of

the pendency of the appraisal proceedings, and if any stockholder fails to comply with the requirement, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After the Delaware Court of Chancery determines the holders of Conexant common stock entitled to appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings. Through this proceeding, the Court will determine the fair value of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. The costs of the action (which do not include attorneys fees and the fees and expenses of experts) may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a dissenting stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all of the shares entitled to appraisal. Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined under Section 262 could be more than, the same as or less than the value of cash they would receive under the merger agreement if they did not seek appraisal of their shares. Neither Gold nor we anticipate offering more than the applicable merger consideration to any stockholder exercising appraisal rights, and each of Gold and us reserves the right to assert, in any appraisal proceeding, that for purposes of Section 262, the fair value of a share of Conexant common stock is less than the applicable merger consideration. The Delaware courts have stated that the methods which are generally considered acceptable in the financial community and otherwise admissible in court may be considered in the appraisal proceedings. In addition, the Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenting stockholder s exclusive remedy. Stockholders should be aware that opinions regarding fairness, such as the one we obtained from Qatalyst, or otherwise described herein, are not opinions as to fair value under Section 262.

In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of the merger and which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In Cede & Co. v. Technicolor, Inc., the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. However, Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger.

Any stockholder who has duly demanded an appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote the shares subject to that demand for any purpose or be entitled to the payment of dividends or other distributions on those shares (except dividends or other distributions payable to holders of record of shares as of a record date before the effective time of the merger).

At any time within 60 days after the effective date of the merger, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw his, her or its demand for appraisal and

accept the merger consideration by delivering to the surviving corporation a written withdrawal of the stockholder s demand for appraisal. However, any such attempt to withdraw made more than 60 days after the effective date of the merger will require written approval of the surviving corporation. No appraisal proceeding in

the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just; provided, however, that any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party may withdraw its demand for appraisal and accept the merger consideration offered pursuant to the merger agreement within 60 days after the effective date of the merger. If the surviving corporation does not approve a stockholder s request to withdraw a demand for appraisal when that approval is required or, except with respect to a stockholder that withdraws its right to appraisal in accordance with the proviso in the immediately preceding sentence, if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder would be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be more than, the same as or less than the value of the consideration being offered pursuant to the merger agreement.

Failure to comply strictly with all of the procedures set forth in Section 262 of the DGCL may result in the loss of a stockholder s statutory appraisal rights. Consequently, any stockholder wishing to exercise appraisal rights is urged to consult legal counsel before attempting to exercise appraisal rights.

Regulatory Approvals Required for the Merger

We and Gold have each agreed to use commercially reasonable efforts to obtain regulatory approvals that are required to complete the transactions contemplated by the merger agreement. These efforts include making the required filings with the DOJ and the FTC pursuant to the HSR Act. We and Gold each filed the requisite HSR Act notifications on February 28, 2011.

At any time before or after the completion of the merger, the DOJ, the FTC, or certain other third parties may challenge the merger on antitrust grounds either before or after expiration or termination of the relevant waiting period, including seeking to enjoin the completion of the merger, permitting completion subject to regulatory concessions or conditions, such as requiring the divestiture of certain of our assets or rescinding the merger. As in every transaction, there can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, it will not succeed. Although we do not know of any reason why regulatory clearance would not be obtained in a timely manner, we cannot be certain of when, or if, such clearance will be obtained.

The parties obligations to complete the merger are conditioned upon receiving all required governmental approvals and upon the expiration or termination of the applicable waiting period under the HSR Act and, to the extent necessary, under any applicable foreign antitrust laws. Other than the required filings under the HSR Act, we do not believe there are other antitrust approvals or waiting periods applicable to the consummation of the merger. If we become aware of any such requirements, we will attempt to satisfy them.

Litigation Relating to the Merger

Between January 10, 2011 and February 11, 2011, Conexant, the members of our board of directors and, in certain of the lawsuits, our President and Chief Operating Officer, our Chief Financial Officer, SMSC and/or Comet Acquisition Corp. were named as defendants in 12 purported class action lawsuits in connection with the transactions previously contemplated by the SMSC merger agreement filed by stockholders in the Superior Court of the State of California, County of Orange, an additional 5 such lawsuits filed in the Court of Chancery of the State of Delaware and one such lawsuit filed in the United States District Court, Central District of California. Two motions to consolidate were filed in connection with the California state actions on January 20, 2011 and February 8, 2011, respectively. On February 9, 2011, the first four Delaware actions were consolidated under the caption *In re Conexant Systems, Inc. Shareholders Litigation*, Consolidated C.A. No. 6136-VCP.

The suits allege, among other things, that our directors and, in one case, certain of our executive officers breached their fiduciary duties to stockholders in negotiating and entering into the SMSC merger agreement and by agreeing to sell our company at an unfair price, pursuant to an unfair process and/or pursuant to unreasonable terms, and that we and, in certain of the lawsuits, SMSC and Comet Acquisition Corp. aided and abetted the alleged breaches of fiduciary duties. The suits seek, among other things, to enjoin consummation of the previously contemplated merger with SMSC. The lawsuit filed on February 11, 2011, after announcement of an acquisition

proposal by Golden Gate Private Equity, Inc., also seeks to direct the individual defendants to designate the proposal by Golden Gate Private Equity, Inc. as a superior proposal, as such term was defined in the SMSC merger agreement.

Material U.S. Federal Income Tax Consequences of the Merger

The following is a summary of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders of Conexant common stock who hold their stock as a capital asset within the meaning of Section 1221 of the Code.

This summary is based on the provisions of the Code, Treasury regulations, administrative rulings and judicial authority, all as in effect as of the date of this proxy statement. All of these laws and authorities are subject to change, and any change could be effective retroactively. No assurances can be given that any change in these laws or authorities will not affect the accuracy of the discussion set forth herein. For purposes of this discussion, the term U.S. holder means:

- a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including any entity or arrangement, domestic or foreign, treated as a partnership for U.S. federal income tax purposes) holds Conexant common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If a holder is a partner in a partnership holding Conexant common stock, such holder should consult its tax advisers regarding the tax consequences to it of the merger.

This summary is not a complete description of all the tax consequences of the merger and, in particular, may not address U.S. federal income tax considerations applicable to holders of Conexant common stock who are subject to special treatment under U.S. federal income tax law (including, for example, certain former citizens or residents of the United States, financial institutions, dealers in securities, traders in securities that elect mark-to-market treatment, insurance companies or tax-exempt entities, holders who acquired Conexant common stock pursuant to the exercise of an employee stock option or right or otherwise as compensation, holders exercising appraisal rights, and holders who hold Conexant common stock as part of a hedge, straddle, constructive sale or conversion transaction). This summary does not address the tax consequences of any transaction other than the merger, whether or not in connection with the merger. Also, this summary does not address U.S. federal income tax considerations applicable to holders of options to purchase Conexant common stock, or holders of debt instruments convertible into Conexant common stock. In addition, no information is provided with respect to the tax consequences of the merger under applicable state, local or non-U.S. laws or under estate, gift, excise or other non-income tax laws.

U.S. Holders

Tax Consequences of the Merger. The exchange of Conexant common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. A U.S. holder whose Conexant common stock is converted into the right to receive cash in the merger will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between (1) the amount of cash received by such holder pursuant to the merger, and (2) the U.S. holder s adjusted tax basis in such common stock. A U.S. holder s adjusted tax basis will generally equal the price the U.S. holder paid for such Conexant common stock. Gain or loss will be

determined separately for each block of Conexant common stock (i.e., shares acquired at the same cost in a single transaction). Such gain or loss will be long-term capital gain or loss provided that a U.S. holder s holding period for such common stock is more than one year at the time of the completion of the merger. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential tax rates in respect of long-term capital gain. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Non-U.S. Holders

A non-U.S. holder is a beneficial owner of Conexant common stock (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not a U.S. holder.

Tax Consequences of the Merger. Any gain a non-U.S. holder recognizes from the exchange of Conexant common stock for the right to receive cash in the merger generally will not be subject to U.S. federal income tax unless (a) the gain is effectively connected with a trade or business conducted by the non-U.S. holder in the United States, or (b) in the case of a non-U.S. holder who is an individual, such holder is present in the United States for 183 or more days in the taxable year of the sale and other conditions are met.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to the amounts paid to U.S. holders and non-U.S. holders in connection with the consideration received in the merger, unless an exemption applies. Backup withholding may be imposed (currently at a 28% rate) on the above payments if a U.S. holder or non-U.S. holder fails to provide a taxpayer identification number or otherwise fails to comply with the backup withholding requirements.

Any amounts withheld under the backup withholding rules are not additional tax and will be allowed as a refund or credit against applicable U.S. federal income tax liability provided the required information is timely furnished to the IRS and all other applicable requirements are satisfied.

The Merger Agreement

The following description describes the material terms of the merger agreement. This description of the merger agreement is qualified in its entirety by reference to the full text of the merger agreement which is attached as Annex A to this proxy statement and is incorporated herein by reference. The merger agreement has been included to provide you with information regarding its terms. We encourage you to read the entire merger agreement. The merger agreement is not intended to provide any other factual information about us. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the SEC, which are available without charge at http://www.sec.gov.

The Merger

Our board of directors has approved the merger agreement, which provides for the merger of Merger Sub with and into Conexant, with Conexant surviving as a wholly owned subsidiary of Gold.

Per Share Merger Consideration

Each share of our common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive $2.40 in cash, without interest and subject to any applicable withholding tax. Upon consummation of the merger, Gold will own 100% of our equity. The per share merger consideration is subject to future adjustment for stock splits, recapitalizations, reclassifications or other similar changes occurring prior to the completion of the merger.

Treatment of Stock Options and Other Equity-Based Awards

Stock Options

The merger agreement provides that any options that are outstanding at the effective time of the merger, whether vested or unvested, will be cancelled, and the holder of each option shall receive an amount in cash, without interest, equal to the product of (i) the excess, if any, of (A) the per share merger consideration over (B) the exercise price per share of our common stock subject to such option, multiplied by (ii) the number of shares of our common stock subject to such option immediately prior to the effective time of the merger. After the effective time of the merger, any such cancelled stock option will no longer be exercisable by the former holder of such option, but will only entitle such holder to the payment described in the preceding sentence. Amounts received in consideration for such options are subject to reduction due to amounts required to be withheld for any income or employment taxes. At the effective time of the merger, any Conexant option without any excess as determined under clause (i) above will be cancelled without consideration and be of no further force and effect. Each option to acquire our common stock held by any of our executive officers or directors immediately prior to the effective time of the merger will be treated in the same manner as all other stock options in the merger.

Restricted Stock

Shares of our common stock that remain, as of the effective time of the merger, unvested or subject to a repurchase option, risk of forfeiture or other conditions under any restricted stock purchase agreement or other agreement or arrangement with us (taking into account any accelerated vesting or lapse of a repurchase option or risk of forfeiture as a result of the consummation of the merger pursuant to the terms applicable to such award of restricted stock), referred to as restricted stock, will vest automatically at the effective time of the merger and will be converted into the right to receive the per share merger consideration. Each share of restricted stock held by any of our executive officers or directors immediately prior to the effective time of the merger will be treated in the same manner as all other shares of restricted stock in the merger.

Restricted Stock Units

RSUs in respect of our common stock that are outstanding immediately prior to the effective time of the merger and that are either (1) vested, (2) held by one of our non-employee directors, or (3) held by one of our management-level employees at the rank of senior vice president or above will be cancelled, and the holder of each such RSU shall receive an amount in cash, without interest, equal to the per share merger consideration. Amounts received in consideration for such RSUs are subject to reduction due to amounts required to be withheld for any income or employment taxes.

RSUs in respect of our common stock that are held by one of our employees not otherwise described above and are outstanding immediately prior to the effective time of the merger, are not vested and do not vest upon consummation of the merger, will be cancelled at the effective time of the merger, and the holder of such RSU will be entitled to receive with respect to each RSU on the date that the RSU would have otherwise vested had the effective time not occurred an amount of cash equal to the per share merger consideration; provided that such payment will only be required if (a) the employee continues to be employed continuously by the surviving corporation through and including the original vesting date of such RSU and (b) the employee has not otherwise been issued or granted any incentive compensation following the effective time (but prior to such original vesting date) that the surviving corporation s board of directors has determined in good faith in its sole discretion to be an appropriate replacement for such RSUs. All other RSUs will be cancelled without consideration and be of no further force and effect.

Termination of Equity Compensation Plans

Effective as of the effective time of the merger, we will terminate each of our equity compensation plans.

Completion of the Merger

Unless the merger agreement is terminated as described below, the merger agreement requires the parties to complete the merger no later than three business days after all of the conditions to the completion of the merger contained in the merger agreement are satisfied or waived, including the adoption of the merger agreement by our stockholders. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware, or at such later time as is agreed by Gold and us and specified in the certificate of merger. Because the completion of the merger is subject to the receipt of regulatory approvals and the satisfaction of other conditions, the exact timing of the completion of the merger cannot be known.

Conversion of Shares; Exchange of Certificates

The merger agreement provides that Gold will select an institution, reasonably acceptable to us, to act as the paying agent. The merger agreement provides that on or prior to the date of completion of the merger, Gold will deposit with the paying agent a sufficient amount of cash to make payments of the aggregate merger consideration. Gold and the surviving corporation are entitled to deduct and withhold from the cash amounts payable to any of our stockholders the amounts it is required to deduct and withhold under any federal, state, local or foreign tax law. To the extent that any amounts are withheld and paid to the appropriate taxing authority, these amounts will be treated for all purposes of the merger as having been paid to the stockholders from whom they were withheld.

The merger agreement contemplates that, as soon as reasonably practicable following the effective time of the merger, the paying agent will mail to each record holder of our common stock immediately prior to the completion of the merger a letter of transmittal and instructions for surrendering and exchanging the record holder s stock certificates. The merger agreement provides that, upon surrender of a Conexant common stock certificate for exchange to the paying agent, together with a duly signed letter of transmittal, and such other documents as the paying agent or Gold may reasonably require, the holder of the Conexant stock certificate will be entitled to receive the per share merger consideration payable for each share of our common stock.

After the completion of the merger, all holders of shares of our common stock that were outstanding immediately prior to the completion of the merger will cease to have any rights as our stockholders, other than the right to receive the merger consideration and subject to the rights described under Appraisal Rights. In addition, no transfer of our common stock after the completion of the merger will be registered on our stock transfer books.

If any Conexant stock certificate has been lost, stolen or destroyed, Gold may, in its discretion and as a condition to the payment of the merger consideration, require the owner of such certificate to deliver an affidavit claiming such certificate has been lost, stolen or destroyed and deliver a bond as indemnity against any claim that may be made with respect to that certificate against the surviving corporation.

Stock certificates should not be surrendered for exchange by our stockholders before the completion of the merger and should be sent only pursuant to instructions set forth in the letter of transmittal mailed to our stockholders as soon as reasonably practicable following the completion of the merger. In all cases, the merger consideration will be delivered only in accordance with the procedures set forth in the letter of transmittal.

Representations and Warranties

The merger agreement contains customary representations and warranties that Gold, Merger Sub and Conexant made to, and solely for the benefit of, each other. None of the representations and warranties in the merger agreement will survive the completion of the merger or termination of the merger agreement. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that we have sent Gold in connection with signing the merger agreement. While we do not believe that these disclosure schedules contain information securities laws require the parties to publicly disclose other than information that has already been so disclosed, they do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they were only made as

of the date of the merger agreement and are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in our general prior public disclosures, as well as additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, and subsequent information may or may not be fully reflected in our public disclosures.

In the merger agreement we made representations and warranties relating to, among other things:

- organization and standing;
- subsidiaries;
- corporate power and authority to enter into and perform our obligations under, and enforceability of, the merger agreement;
- capitalization;
- the absence of conflicts with organizational documents, other contracts and applicable laws;
- required regulatory filings and consents and approvals of governmental entities;
- documents filed with the SEC and other governmental authorities;
- financial statements and controls;
- the absence of undisclosed liabilities;
- the absence of certain changes since a specified date;
- material contracts;
- compliance with laws and orders and permits;
- the absence of litigation and orders;
- tax matters;
- environmental matters;
- employee benefits;
- labor matters;
- real property;
- assets and personal property;
- intellectual property;
- insurance;
- transactions with related parties;

- the vote of holders of our common stock being the only vote required to adopt the merger agreement;
- termination of the SMSC merger agreement and payment of the termination fee to SMSC pursuant to the SMSC merger agreement;
- receipt of any acquisition proposal;
- broker s fees and expenses;
- our receipt of the opinion of Conexant s financial advisor; and
- the absence of reliance on any other representations and warranties, other than those contemplated in the merger agreement.

In the merger agreement, Gold and Merger Sub each made representations and warranties relating to:

- organization and standing;
- corporate power and authority to enter into and perform its obligations under, and enforceability of, the merger agreement;
- the absence of conflicts with organizational documents, other contracts and applicable laws;
- required regulatory filings and consents and approvals of governmental entities;
- litigation;
- broker s fees;
- the availability of funding or financing to pay the merger consideration;
- not having conducting any prior activities;
- capitalization of Merger Sub;
- not owning any shares of Conexant common stock; and
- the absence of reliance on any other representations and warranties, other than those contemplated in the merger agreement.

Material Adverse Effect

Several of the representations, warranties, covenants, closing conditions and termination provisions in the merger agreement use the phrase material adverse effect. The merger agreement provides that material adverse effect means any circumstance, development, event, condition, effect or change that had or has a material adverse effect on:

- with respect to either Gold or Conexant, as the case may be, the ability of such party to timely consummate the transactions contemplated by the merger agreement; or
- with respect to us, our and our subsidiaries (taken as a whole) business, financial condition, assets, liabilities or results of operations, except to the extent resulting from:

changes after the date of the merger agreement that are generally applicable to the industry in which such party operates, unless such changes have a disproportionate effect on such party relative to other industry participants;

changes after the date of the merger agreement in general economic or market conditions or the global economy, unless such changes have a disproportionate effect on such party relative to other industry participants;

changes after the date of the merger agreement in applicable laws or accounting rules, unless such changes have a disproportionate effect on such party relative to other industry participants;

acts of war or terrorism, unless such act has a disproportionate effect on such party relative to other industry participants;

any failure to meet internal or analysts estimates, projections or forecasts of revenues, earnings or other financial or business metrics (the underlying cause of such failure, however, may be taken into consideration);

any decline in the market price or change in the trading volume of such party s common stock (the underlying cause of such decline, however, may be taken into consideration);

the termination of the SMSC merger agreement and the payment of the termination fee pursuant to the SMSC merger agreement; or

the public announcement or pendency of the merger agreement or the transactions contemplated thereby (except with respect to representations or warranties of such party concerning the absence of conflicts with organizational documents, other contracts and applicable laws).

Conduct of Business Prior to the Merger

We have undertaken customary covenants that place restrictions on us and our subsidiaries until the effective time of the merger. In general, we agreed, on behalf of us and our subsidiaries, to (1) carry on our business in all material respects in the ordinary course consistent with past practice, (2) use commercially reasonable efforts to preserve intact our present business organization, keep available the services of our present officers and employees and preserve our relationships with customers, suppliers, licensors and licensees. We further agreed that, with certain exceptions and except with Gold s prior written consent, we will not, and will not permit any of our subsidiaries to, among other things, undertake the following actions:

amend our certificate of incorporation or bylaws;

authorize for issuance, issue, sell, or deliver any securities, except pursuant to our equity compensation plans;

acquire, redeem, or amend any securities;

pay any dividends, split, combine or reclassify any shares of capital stock or make any other distribution in respect of the shares of capital stock;

propose or adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

incur or assume any indebtedness or issue any debt securities, assume or guarantee the obligations of any other person, make any loans to or investments in any other person, or mortgage or pledge any of or our assets or create or suffer to exist any lien;

enter into, adopt, amend or terminate any of our employee benefit plans in any material respect, increase in any material manner the compensation or fringe benefits of any director, officer or employee, or pay any benefit not required by any of our employee benefit plans;
terminate any employee without cause;
forgive any loans to any employees, officers or directors, or any of their respective affiliates;
make any deposits or contributions to or fund the compensation or benefits under our employee benefit plans or contracts subject to the employee plans, other than as required pursuant to applicable law, the terms of the employee benefit plans or any contracts subject to the employee benefit plans;
enter into, amend, or extend any collective bargaining agreement;
fail to satisfy in any material respect any obligation arising pursuant to the settlement agreement related to Conexant s 401(k) plan;
acquire, sell, lease, license or dispose of any business, property, assets, securities or corporate entity, other than the purchase of equipment, supplies and inventory, the sale of goods or non-exclusive licenses of intellectual property in the ordinary course of business consistent with past practice and the sale of immaterial fixed assets;
except as may be required as a result of a change in applicable laws or in generally accepted accounting principles, make any material change in any of the accounting principles or practices we use;
make or change any material tax election, settle or compromise any material tax liability or consent to any extension or waiver of any limitation period with respect to any claim or assessment for material taxes;
enter into a material contract or materially amend any material contract or grant any waiver, release or relinquishment of any material right under any material contract;
grant any exclusive rights with respect to any of our intellectual property, divest any material intellectual property, or materially modify our standard warranty terms for products and services or modify any product or service warranty in effect in any material manner that is adverse to us or any of our subsidiaries;
settle or compromise any pending or threatened legal proceeding or pay, discharge or satisfy or agree to pay, discharge or satisfy any claim, liability or obligation, subject to certain exceptions;
except as required by applicable law or generally accepted accounting principles, or in accordance with past practice in the ordinary course of business, revalue in any material respect any of our properties or assets including writing-off notes or accounts receivable;
abandon, cancel or allow to lapse or fail to maintain or protect any of our intellectual property other than in the ordinary course consistent with past practice;
hire new employees, other than to fill a vacancy caused by an employee departure or termination arising on or after February 20, 2011; or
enter into a contract, or make any arrangement or understanding, to do any of the foregoing.

Other Covenants

The merger agreement also contains covenants relating to, among other things:

- the preparation of this proxy statement and the holding of our annual meeting of stockholders;
- access to information of the other company and public announcements with respect to the transactions contemplated by the merger agreement;
- the completion of relevant regulatory filings under antitrust laws;
- the use by both parties of commercially reasonable efforts to consummate the transactions contemplated by the merger agreement;
- Gold s right to participate in the defense and settlement of stockholder litigation relating to the merger;
- Gold s obligation to take all necessary actions to obtain the equity commitment; and
- our agreement to use commercially reasonable efforts to assist Gold in certain actions it may take with respect to our outstanding debt or in connection with its own debt financing matters.

Commercially Reasonable Efforts to Obtain the Required Stockholder Vote

We have agreed to hold a meeting of our stockholders as promptly as practicable following the date of this proxy statement (and, if reasonably practicable, within forty days following the date of this proxy statement) for the purpose of obtaining stockholder approval of the merger-related proposals. We will use our commercially reasonable efforts to obtain such approval unless our board of directors has changed its recommendation in accordance with the non-solicitation obligations, described under Limitation on our Solicitation, Negotiation and Discussion of Other Acquisition Proposals . Unless the merger agreement is terminated, we have agreed to submit the merger agreement to a stockholder vote even if our board of directors no longer recommends adoption of the merger agreement.

Limitation on our Solicitation, Negotiation and Discussion of Other Acquisition Proposals

Subject to certain exceptions described below, we have also agreed that we and our subsidiaries, and each of our officers and directors, will not, and that we will use commercially reasonable efforts to cause any of our other representatives not to, directly or indirectly:

- solicit, initiate or knowingly encourage or facilitate any inquiries or announcement with respect to an acquisition proposal (as defined below);
- participate or engage in any discussions or negotiations, furnish to any person any nonpublic information relating to us or our subsidiaries, or knowingly facilitate any inquiries or the making of any proposal that constitutes or would reasonably be expected to lead to any acquisition proposal; or
- release any person from any standstill agreement, or release any person that would reasonably be expected to make an acquisition proposal from any confidentiality agreement.

As used in the merger agreement, an acquisition proposal means an inquiry, proposal or offer from any third party (other than Gold or its subsidiaries, affiliates or representatives, but including SMSC) relating to a transaction involving any combination of:

- the acquisition by another person of assets or businesses constituting 20% or more of our and our subsidiaries (taken as a whole) net revenue or assets (as measured by their fair market value);

- the acquisition by another person of 20% or more of our outstanding shares of capital stock or 50% or more of the capital stock of any of our subsidiaries that directly or indirectly holds 20% or more of our and our subsidiaries (taken as a whole) net revenue or assets (as measured by their fair market value); or
- the holders of our common stock immediately preceding the transaction holding less than 80% of the voting equity interest of the entity resulting from such transaction.

We have also agreed:

- to cease any existing solicitation, encouragement, activity, discussion or negotiation with respect to any acquisition proposal; and
- to notify Gold promptly (but no later than 24 hours) after we receive any request for information with respect to, or any inquiry which would reasonably be expected to result in an acquisition proposal, to provide Gold with relevant information regarding the acquisition proposal or request, and to keep Gold reasonably informed of the status and any changes in the material terms and conditions of any such acquisition proposal.

Exception to the Limitation on our Negotiation and Discussion of Other Acquisition Proposals

Prior to obtaining approval of the merger from our stockholders, we may engage and participate in discussions and negotiations with respect to an unsolicited, written acquisition proposal that has not resulted from a material breach of the restrictions on solicitation of other offers, and furnish non-public information regarding us to the party making such acquisition proposal, if:

- our board of directors determines in good faith (after consultation with our financial advisors and outside legal counsel) that such acquisition proposal is or would reasonably be expected to result in or to lead to a superior proposal (as defined below) and that failure to take these actions would reasonably be expected to result in a breach of the board s fiduciary duties to our stockholders under applicable law;
- prior to furnishing information, we have first entered into (and within 24 hours of execution, provided to Gold) a confidentiality agreement with the party making the acquisition proposal on terms no less favorable to us than those in our confidentiality agreement with Gold;
- we provide Gold with 24 hours prior written notice of our intent to participate in discussions or furnish non-public information with respect to such acquisition proposal (including notice of the identity of the party making the acquisition proposal and the material terms and conditions of such acquisition proposal); and
- we provide Gold with any non-public information provided to the party making such acquisition proposal, but not previously provided to Gold, within 24 hours of providing such information to the third party.

Board Recommendation of the Merger

Our board of directors has adopted a resolution recommending that our stockholders adopt the merger agreement. Under the merger agreement, subject to the provisions relating to a board recommendation change for a superior proposal or for an intervening event (as defined below), our board of directors may not (1) withdraw, qualify, modify, change or amend this recommendation in any manner adverse to Gold (or publicly propose to do any of the foregoing), (2) approve or recommend, or publicly propose to approve or recommend, any acquisition proposal, or (3) authorize us to enter into any agreement with respect to any acquisition proposal (other than a confidentiality agreement permitted under its non-solicitation obligations. Any of these actions is referred to as a board recommendation change.

Board Recommendation Change for Superior Proposal

Prior to obtaining approval of the merger from our stockholders, our board of directors may make a board recommendation change and terminate the merger agreement (as described in Termination of the Merger Agreement Our Termination Rights) if it receives an unsolicited, written acquisition proposal that constitutes a superior proposal and, prior to making such board recommendation change:

- it determines in good faith (after consultation with outside legal counsel) that in light of such superior proposal, the failure to make a board recommendation change would reasonably be expected to result in a breach of its fiduciary duties under applicable law;
- it provides Gold at least four business days prior written notice (A) of the identity of the person making such superior proposal and all of the material terms and conditions of such superior proposal, and (B) of its intention to make a board recommendation change in response to such superior proposal;
- during such four business day period, it provides Gold the opportunity to meet or negotiate with it and its outside legal counsel;
- if during such four business day period, Gold delivers to Conexant a written proposal to amend the merger agreement our board determines in good faith (after consultation with outside legal counsel) that after consideration of such proposal by Gold, the failure to make a board recommendation change would reasonably be expected to result in a breach of its fiduciary duties under applicable law; and
- we enter into a definitive agreement for such superior proposal and concurrently terminate the merger agreement.

As used in the merger agreement, superior proposal means any unsolicited, bona fide written offer in respect of an acquisition proposal (except that any reference to 20% or 80% in the definition of acquisition proposal is, for the purposes of the definition of superior proposal, replaced by references to a majority) that our board of directors determines (after consultation with our financial advisor and outside legal counsel), taking into account all factors that our board determines to be relevant:

- would, if consummated, result in a transaction that is more favorable, from a financial point of view, to our stockholders than the transactions contemplated by the merger agreement (including any modifications to the merger agreement proposed by Gold); and
- is reasonably likely to be completed on the terms proposed.

Board Recommendation Change for Intervening Event

Prior to obtaining approval of the merger from our stockholders, our board of directors also may make a board recommendation change if a material fact, event, change, development or set of circumstances (other than an acquisition proposal) that was not known by our board of directors on or prior to February 20, 2011, referred to as an intervening event, occurs and:

- it determines in good faith (after consultation with outside legal counsel) that in light of such intervening event, the failure make a board recommendation change would reasonably be expected to result in a breach of its fiduciary duties under applicable law;
- it provides Gold at least four business days prior written notice of its intention to make a board recommendation change;
- during such four business day period, it provides Gold the opportunity to meet or negotiate with it and its financial advisors and outside legal counsel; and

if during such four business day period, Gold delivers to us a written proposal to amend the merger agreement, our board determines in good faith (after consultation with outside legal counsel) that after consideration of such proposal by Gold, the failure to make a board recommendation change would reasonably be expected to result in a breach of its fiduciary duties under applicable law.

Employee Matters

Gold has agreed to maintain, for the remainder of the calendar year after the completion of the merger, wages or base salary, severance benefit protections, and employee benefits (excluding any bonus, retention, change in control or equity or equity-based plan, program or arrangement) for our employees that are, in the aggregate, no less favorable than those provided immediately prior to the completion of the merger.

In addition, Gold has agreed, to the extent any of our employees become eligible to participate in Gold s employee benefit plans following the merger:

generally to recognize each employee s service with us prior to the completion of the merger for all purposes under similar employee benefit plans of ours and our subsidiaries, except to the extent it would result in a duplication of benefits;

to cause any pre-existing conditions or eligibility waiting periods under any Gold U.S. group health plans to be waived; and

to provide each employee with credit for any deductibles paid under any of our plans as of the consummation of the merger for purposes of satisfying any applicable deductible or out-of-pocket requirements under any Gold plans.

We have agreed to adopt board resolutions to, unless otherwise requested by Gold prior to the merger, terminate the Conexant Retirement Savings Plan, contingent upon the completion of the merger.

Indemnification and Insurance

The merger agreement requires that after the merger, Gold will cause the surviving corporation to comply with all our obligations in existence relating to the exculpation, indemnification or advancement of expenses to any of our or our subsidiaries current or former officer or director for the applicable statute of limitations. The merger agreement also requires Gold to keep indemnification provisions in the governing documents of the surviving corporation at least as favorable as those in our governing documents prior to the merger, for a period of six years after the merger.

The merger agreement requires Gold to obtain (unless we have already obtained, in which case Gold must maintain) a tail prepaid directors and officers liability insurance policy with respect to acts or omissions occurring prior to the effective time of the merger with a claims period of six years after completion of the merger with at least the same coverage and amount and containing terms and conditions that are not less favorable than our current policy, except that Gold is not required to incur annual premium expense greater than 300% of our current annual premium for such coverage.

The merger agreement also requires Gold and the surviving corporation to indemnify and hold harmless, for a period of six years after the effective time of the merger, our or our subsidiaries current or former officers or directors against any loss in connection with any claim arising out of (i) any action or failure to act in that person s capacity as our director, officer, employee or agent and (ii) any of the transactions contemplated by the merger agreement.

Conditions to Complete the Merger

Conditions to our, Gold s and Merger Sub s Obligations

The respective obligations of Gold, Merger Sub and us to complete the merger are subject to the satisfaction or waiver of certain conditions, including:

- the adoption of the merger agreement by our stockholders;
- the receipt of all approvals and consents required to be obtained in connection with the merger from any governmental entity;
- the expiration or termination of all applicable waiting periods under the HSR Act and any material foreign antitrust laws; and
- the absence of any order, decree or injunction by any governmental entity or other law that prohibits or makes illegal completion of the merger.

Conditions to the Obligations of Gold and Merger Sub

The merger agreement provides that the obligations of Gold and Merger Sub to complete the merger are subject to the satisfaction or waiver by Gold of each of the following conditions:

- the accuracy in all material respects of the representations and warranties made by us in the merger agreement relating to authorization to enter into the merger agreement, the vote of holders of our common stock being the only vote required to adopt the merger agreement, the absence of any arrangements requiring the payment of broker s or finder s fees other than to our financial advisors identified in the merger agreement and us having received the opinion of our financial advisors that the consideration to be received by our stockholders is fair from a financial point of view;
- the accuracy of the representations and warranties made by us in the merger agreement relating to our and our subsidiaries capitalization, except to the extent that inaccuracies in such representations and warranties would not give rise to or result in any increased liabilities, damages or costs to Gold or us by more than $1,775,000 in the aggregate;
- the accuracy of the remaining representations and warranties made by us in the merger agreement, provided that inaccuracies in such representations and warranties will be disregarded to the extent that such inaccuracies, individually or in the aggregate, do not constitute, and would not reasonably be expected to have a material adverse effect on us;
- our performance, in all material respects, of all of our agreements and covenants set forth in the merger agreement that are required to be performed by us at or prior to the completion of the merger;
- no circumstance, development, event, condition, effect or change shall have occurred after February 20, 2011 that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on us; and
- our chief executive officer or chief financial officer shall have delivered to Gold a certificate confirming that certain conditions have been satisfied.

Conditions to our Obligations

The merger agreement provides that our obligations to complete the merger are subject to the satisfaction or waiver by us of each of the following conditions:

the accuracy in all material respects of the representations and warranties made by Gold and Merger Sub in the merger agreement relating to Gold and its subsidiaries not owning any of our common stock;

the accuracy of the remaining representations and warranties made by Gold and Merger Sub in the merger agreement, provided that inaccuracies in such representations and warranties will be disregarded to the extent that such inaccuracies, individually or in the aggregate, do not constitute, and would not reasonably be expected to have a material adverse effect on Gold;

each of Gold s and Merger Sub s performance, in all material respects, of all of its agreements and covenants set forth in the merger agreement that are required to be performed by Gold or Merger Sub, as applicable, at or prior to the completion of the merger; and

an authorized senior executive officer of Gold shall have delivered to us a certificate confirming that certain conditions have been satisfied.

Termination of the Merger Agreement

The merger agreement provides that, at any time prior to the effective time of the merger, either before or after the requisite approval of our stockholders has been obtained, Gold and we may terminate the merger agreement by mutual written consent.

The merger agreement also provides that, at any time prior to the effective time of the merger, either before or after the requisite approval of our stockholders has been obtained, either Gold or we can terminate the merger agreement if:

the merger is not completed by July 31, 2011, but no party whose material breach of the merger agreement resulted in or principally caused the failure of the merger to be completed by July 31, 2011 can terminate the merger under this provision;

a court or governmental body enacts or issues a law or a final and non-appealable order prohibiting the transactions contemplated by the merger agreement, provided the party seeking to terminate shall have used its commercially reasonable efforts to challenge such law or order; or

(i) our stockholders do not adopt the merger agreement at our stockholders meeting, (ii) there are holders of insufficient shares present at the meeting to constitute a quorum and the meeting is not adjourned to a later date, or (iii) if our stockholders meeting has not occurred by July 26, 2011, provided that we may not terminate in such circumstance if we have materially breached our obligations under the non-solicitation covenants in the merger agreement.

Our Termination Rights

The merger agreement also provides that at any time prior to the effective time of the merger, either before or after the requisite approval of our stockholders has been obtained, we may terminate the merger agreement if:

prior to the receipt of the approval of our stockholders, our board of directors effects a board recommendation change in response to a superior proposal (as described in Our Board Recommendation of the Merger and Board Recommendation Change for Superior Proposal), and (A) substantially concurrently with the termination enters into a definitive agreement for such superior proposal and (B) immediately prior to or contemporaneously with the termination pays to Gold a termination fee of $7.7 million (and expense reimbursement); or

Gold or Merger Sub materially breaches or fails to perform any of the representations, warranties, covenants or agreements made by Gold and Merger Sub in the merger agreement, such that certain closing conditions are incapable of being satisfied by July 31, 2011.

Gold s Termination Rights

The merger agreement further provides that Gold may terminate the merger agreement at any time prior to the effective time of the merger, either before or after the requisite approval of our stockholders has been obtained, if:

- we materially breach or fail to perform any of the representations, warranties, covenants or agreements made by us in the merger agreement, such that certain closing conditions are incapable of being satisfied by July 31, 2011; or
- any of the following events occur (which are referred to as Conexant triggering events):
  - any of our directors or executive officers (or any other of our representatives acting at the authorization of any of our directors or executive officers) materially breaches or violates the provisions of the merger agreement relating to the non-solicitation of third party acquisition proposals;
  - our board of directors makes a board recommendation change;
  - a tender or exchange offer is commenced that, if successful, would result in any third party (other than Gold) becoming a beneficial owner of 20% or more of our outstanding common stock and our board of director fails to recommend rejection of the tender or exchange offer within 10 business days after the tender offer is commenced; or
  - our board of directors fails to reaffirm its recommendation in favor of the adoption of the merger agreement within ten business days after Gold requests a reaffirmation;

Expenses and Termination Fees

Except as set forth below, the merger agreement provides that all fees and expenses incurred in connection with the merger agreement and the merger will be paid by the party incurring such expenses.

The merger agreement provides that we will pay Gold a termination fee of $7.7 million if any of the following events occur:

- we terminate the agreement to enter into a definitive agreement for a superior proposal;
- Gold terminates the merger agreement pursuant to a Conexant triggering event; or
- (A) Gold or we terminate the merger agreement for non-completion of the merger by July 31, 2011, or Gold terminates the merger agreement for our material breach or failure to perform any of the representations, warranties, covenants or agreements made by us in the merger agreement, such that certain closing conditions are incapable of being satisfied by July 31, 2011, and (B) an acquisition proposal for us is made to us or our board of directors or is publicly announced prior to the termination of the merger agreement (but within twelve months of the date of termination) and we enter into a definitive acquisition agreement with respect to, or consummate, an acquisition proposal. For the purposes of this paragraph, any reference to 20% or 80% in the definition of acquisition proposal shall, for the purposes of the definition of superior proposal, be replaced by references to a majority.

The merger agreement also provides that we will be required to pay Gold an amount equal to Gold s expenses, not to exceed $1 million, incurred by or on behalf of Gold in connection with or related to the merger or the merger agreement in the event that:

- we are required to pay Gold the termination fee as described above;
- we or Gold terminate the merger agreement if our stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement thereof at which a vote was taken, if there is not a quorum at the annual meeting and the holders present do not approve an adjournment of the meeting to a later date or if a vote on the adoption of the merger agreement has not occurred by July 26, 2011; or

Gold terminates the merger agreement because we materially breach or fail to perform any of the representations, warranties, covenants or agreements made by us in the merger agreement, such that certain closing conditions are incapable of being satisfied by July 31, 2011.

PROPOSAL NO. 2 ELECTION OF DIRECTORS

Our certificate of incorporation, as amended, provides that our board of directors shall consist of three classes of directors with overlapping three-year terms. One class of directors is to be elected each year with a term extending to the third succeeding annual meeting after election. The certificate of incorporation provides that the board shall maintain the three classes to be as nearly equal in number as the then total number of directors permits. At the end of fiscal 2010, we had seven directors. The two directors in Class I, the three directors in Class II and the two directors in Class III are serving terms expiring at our annual meeting of stockholders in 2012, 2013, and 2011, respectively. At this year s annual meeting, two Class III directors will be elected to serve for a three-year term and until a successor has been duly elected and qualified. Each of the nominees is a current member of the board and has consented to serve as a director if elected.

In recommending director nominees for selection by the board, our Governance and Board Composition Committee considers a number of factors, which are described in more detail below under Information Concerning the Board of Directors Board Committees and Committee Meetings. In considering these factors, the Governance and Board Composition Committee and the board consider the fit of each individual s qualifications and skills with those of our other directors in order to build a board of directors that, as a whole, can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment.

In October 2008, the board of directors approved an amendment to our bylaws to adopt a director resignation policy that requires each of the director nominees to tender an irrevocable resignation that will be effective if (a) the director fails to receive a greater number of votes for his or her election than votes withheld from his or her election in an uncontested election and (b) the board of directors accepts the resignation, taking into account the recommendation of the Governance and Board Composition Committee as to whether to accept or reject the resignation of such director or whether other action should be taken. We will publicly disclose the board of directors decision regarding any resignation that is effective under this policy and, if such resignation is rejected, the rationale behind the decision within 90 days following certification of the election results. Each of the director nominees listed below has tendered an irrevocable resignation to the board of directors with respect to the 2011 annual meeting as required by our bylaws.

If any of the nominees for the office of director is unwilling or unable to serve as a nominee for the office of director at the time of the annual meeting, the proxies may be voted either (1) for a substitute nominee, who shall be designated by the proxy holders or by the present board of directors to fill such vacancy, or (2) for the other nominees only, leaving a vacancy. Alternatively, the size of the board may be reduced so that there is no vacancy. Our board of directors has no reason to believe that any of the nominees will be unwilling or unable to serve if elected as a director.

Our board of directors recommends that stockholders vote FOR the election of each of the nominees listed below.

Information as to Nominees for Director and Continuing Directors

Listed below for each director, as reported to us, is the director s name, age, principal occupation and directorships of public companies held within the past five years, and his position, if any, with us. The following biographical information for each director also describes the primary individual experience, qualifications, attributes and skills of each of the nominees for director and continuing directors that led to the board s conclusion that each director should serve as a member of our board.

Class III

Nominees for Director with Terms Expiring in 2014

Steven J. Bilodeau, age 52 Mr. Bilodeau has been our director since February 2004. He was the chairman of the board, CEO and president of SMSC from February 2000 to October 2008 and acting chief financial officer from May 2008 to October 2008. Prior to joining SMSC in 1999, Mr. Bilodeau held various senior management positions during his 13 years of service with Robotic Vision Systems Inc., or RVSI, including president

of the Semiconductor Equipment Group from 1996 to 1998. Mr. Bilodeau served as a director of RVSI from 1997 to 1998. He is currently the non-executive chairman of the board of SMSC and has served as a director of Cohu, Inc. since 2009 and Gennum Corporation since 2008. Mr. Bilodeau also served as a director of Nu Horizons Electronics Corp. from 2009 until January 2011. His experiences as an executive and as a director at the public companies listed above provide our board with significant financial and technical expertise with specific application to our industry, as well as a broad understanding of corporate governance, executive compensation and other topics.

D. Scott Mercer, age 60 Mr. Mercer has been a director of Conexant since 2003. In April 2008, he was appointed as CEO and became chairman of the Conexant board in August 2008. Mr. Mercer is also a private investor, who served as interim CEO of Adaptec, Inc., a computer technology services company, from May 2005 to November 2005. Mr. Mercer had previously served as a senior vice president and advisor to the CEO of Western Digital Corporation, a supplier of disk drives to the personal computer and consumer electronics industries, from February 2004 through December 2004. Prior to that, Mr. Mercer was a senior vice president and the chief financial officer of Western Digital Corporation from October 2001 through January 2004. From June 2000 to September 2001, Mr. Mercer served as vice president and chief financial officer of Teralogic, Inc. From June 1996 to May 2000, he held various senior operating and financial positions with Dell, Inc. In addition to Conexant, Mr. Mercer served on the boards of directors of Net Ratings, Inc. from January 2001 to June 2007, Adaptec, Inc. from November 2003 to October 2008, and Palm, Inc. from June 2005 to July 2010. He has served as a director of Polycom, Inc. since November 2007 and QLogic Corporation since September 2010. His senior management and operational experiences in a number of technology companies and his service as a director at the companies listed above provide our board with significant financial and operational and compliance expertise with specific application to our industry, as well as a broad understanding of corporate governance and other topics.

Class I

Continuing Directors with Terms Expiring in 2012

F. Craig Farrill, age 58 Mr. Farrill has been a director of Conexant since 1998. Mr. Farrill was director, president and CEO of Kodiak Networks, Inc., a wireless communications company, from April 2003 to August 2007 and continues to be a director. He currently serves as a director and a corporate officer of the CDMA Development Group, a digital cellular technology consortium, which he founded in 1993. His experiences as an executive and a director at the entities listed above provide our board with significant product and R&D expertise with specific application to our industry.

Matthew E. Massengill, age 49 Mr. Massengill has been a director of Conexant since June 2008. He served as chairman of the board of Western Digital Corporation, a computer storage devices company, from November 2001 to March 2007. He was its CEO from January 2000 to October 2005. He has served as a director of Western Digital Corporation since 2001, Microsemi Corporation since 2009 and GT Solar International, Inc. since 2008. His experiences as an executive and a director at the public companies listed above provide our board with significant financial and management expertise with specific application to our industry, as well as a broad understanding of corporate governance, executive compensation and other topics.

Class II

Continuing Directors with Term Expiring in 2013

William E. Bendush, age 62 Mr. Bendush has been a director of Conexant since June 2008. A retired executive, private investor, and consultant, Mr. Bendush served as senior vice president and chief financial officer of Applied Micro Circuits Corporation, a semiconductor company, from April 1999 to March 2003 and served as its secretary until March 2003. He served as an adviser for Financial Services of Applied Micro Circuits Corp. from March 2003 to December 2003. He served as senior vice president and chief financial officer of Silicon Systems, Inc. from 1985 to 1999. Previously, he held senior financial management positions at AM International, Inc. and Gulf & Western Industries, Inc. Mr. Bendush also worked in finance-related positions at Gould, Inc. and Blackman, Kallick & Company, both certified public accounting firms. He has been a director of Microsemi Corporation since 2003 and Smartflex Systems Inc. since 1996. Mr. Bendush s experience as an executive officer of companies in the technology industry brings to our board leadership, strategic and financial experience. His experiences as an accountant and financial executive and as a director at the public companies listed above provide our board with

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significant financial expertise with specific application to our industry, as well as a broad understanding of corporate finance and accounting topics.

Balakrishnan S. Iyer, age 54 Mr. Iyer has been a director of Conexant since 2002. He served as senior vice president and chief financial officer of Conexant from January 1999 to June 2003. Prior to October 1998, Mr. Iyer served as the senior vice president and chief financial officer of VLSI Technology, Inc. Mr. Iyer has held a number of senior finance positions at Advanced Micro Devices, Inc., a semiconductor company. Mr. Iyer has served as a director of IHS, Inc. since 2003, Life Technologies Corporation, previously known as Invitrogen Corporation, since 2001, Power Integrations since 2004, QLogic Corporation since 2003, and Skyworks Solutions, Inc. since 2002. Mr. Iyer s experience as an executive officer of companies in the technology industry brings to our board leadership, strategic and financial experience. His experiences as a director at the public companies listed above provide our board with significant financial, governance and compliance expertise with specific application to our industry, as well as a broad understanding of corporate governance topics.

Jerre L. Stead, age 68 Mr. Stead has been a director of Conexant since 1998. Mr. Stead has been executive chairman and CEO of IHS, Inc., a software company, since September 2006 and was chairman of the board of IHS, Inc. from December 2000 to September 2006. From August 1996 to June 2000, Mr. Stead served as chairman of the board and CEO of Ingram Micro Inc., a worldwide distributor of information technology products and services. Mr. Stead served as chairman, president and CEO of Legent Corporation, a software development company from January 1995 until its sale in September 1995. From 1993 to 1994, Mr. Stead was executive vice president of American Telephone and Telegraph Company, a telecommunications company, and chairman and CEO of AT&T Global Information Solutions, a computer and communications company, formerly NCR Corp. Mr. Stead was president of AT&T Global Business Communications Systems, a communications company, from 1991 to 1993. Mr. Stead was chairman, president and CEO from 1989 to 1991 and president from 1987 to 1989 of Square D Company, an industrial control and electrical distribution products company. He has served as a director and lead independent director of Brightpoint, Inc. since 2000, and as a director of Mindspeed Technologies, Inc. since 2003. Mr. Stead s experience as an executive officer of companies in the technology industry brings to our board leadership, strategic and financial experience. His experiences as an executive and director at the public companies listed above provide our board with significant financial expertise with specific application to our industry, as well as a broad understanding of corporate governance, executive compensation and other topics.

Information Concerning the Board of Directors

Director Independence

Our board of directors has determined that each of the director nominees listed above and all other continuing directors are independent directors under applicable rules of The NASDAQ Stock Market LLC, referred to as NASDAQ, except for D. Scott Mercer, who is an employee of our company.

Board Leadership Structure and Meetings of the Independent Directors

Our current chairman of the board is also our CEO. In addition, our board has designated Mr. Massengill as Lead Independent Director. Our board believes it is important to select its chairman and CEO in the manner it considers to be in our best interests at any given point in time. The members of our board possess considerable business experience and in-depth knowledge of the issues we face, and are therefore in the best position to evaluate our needs and how best to organize our leadership structure to meet those needs. Accordingly, the chairman and CEO positions may be filled by one individual or by two different individuals. We believe that the most effective leadership structure for us at this time is for Mr. Mercer to serve as both chairman and CEO and to have a Lead Independent Director (currently, Mr. Massengill). Mr. Mercer possesses an in-depth knowledge of our company, the industry in which we conducts our business and the challenges we face, which he gained from over seven years as a director and almost three years as CEO successfully leading us through an unexpected change in management and a major financial restructuring. We believe that these experiences and insights put the CEO in the best position to provide broad and unified leadership for our board as it considers strategy and business plans.

We believe our board leadership structure is balanced by having a Lead Independent Director, selected by the board s independent directors, to promote the independence of the board and appropriate oversight of management. Our independent directors meet without management present after each regularly scheduled board meeting (four times during fiscal 2010). As the Lead Independent Director, Mr. Massengill is responsible for (i) establishing the agenda for the executive sessions held by the independent directors and acting as chair of those sessions and of all other meetings where the independent directors meet without the chairman, (ii) polling the other independent directors for agenda items both for regular board meetings and executive sessions of the independent directors and (iii) working with the chairman and CEO on the agenda for regular board meetings.

Board Committees and Committee Meetings

The standing committees of the board of directors during fiscal 2010 were an Audit Committee, a Governance and Board Composition Committee, and a Compensation and Management Development Committee, each of which is comprised solely of non-employee directors who are independent directors within the meaning of applicable rules of NASDAQ and the SEC. The functions of each of these three committees are described below; and each of the committee charters is posted on our website at http://ir.conexant.com. The current members of each of our board committees are identified in the following table, each committee chairman being denoted with an asterisk. Our independent directors also hold regular meetings without members of management present. Mr. Massengill acts as the Lead Independent Director at such meetings.

Director	Audit	Governance & Board Composition	Compensation & Management Development
W. E. Bendush	X*	X	
S. J. Bilodeau	X		X
F. C. Farrill		X	
B. S. Iyer	X	X*	X
M.E. Massengill			X
J. L. Stead			X*

* Chairman

Audit Committee. The Audit Committee, among other things, reviews the scope and effectiveness of audits of our company by our independent public accountants and internal auditors; appoints and oversees our independent public accountants; reviews the audit plans of our independent public accountants and internal auditors; reviews and approves, in advance, the fees charged and the scope and extent of any non-audit services performed by the independent public accountants; establishes procedures for the receipt, retention and treatment of anonymous and other complaints regarding our accounting or auditing matters; reviews our quarterly and annual financial statements before their release; reviews and approves the appointment or change of our internal auditor; reviews the adequacy of our system of internal controls and recommendations of the independent public accountants and of the internal auditors with respect thereto; reviews and acts on comments and suggestions by the independent public accountants and by the internal auditors with respect to their audit activities; monitors compliance by our employees with its standard of business conduct policies; meets with our management to review any issues related to matters within the scope of the Audit Committee s duties, including any enterprise risk management issues, and investigates any matter brought to its attention within the scope of its duties. The Audit Committee acts pursuant to a written charter posted on our website at http://ir.conexant.com/documentdisplay.cfm?DocumentID=6464. In the opinion of the board of directors, all current members of the Audit Committee are independent directors within the meaning of applicable rules of NASDAQ and the SEC and each of them is a financial expert as defined by the SEC. The Audit Committee met 10 times during the 2010 fiscal year.

Governance and Board Composition Committee. The principal functions of our Governance and Board Composition Committee are to develop and review at least annually our governance guidelines; to develop an annual self-evaluation process for the board and its committees and oversee the annual self-evaluations; to review the board s committee structure and recommend to the board for its approval the directors to serve as members of each committee; to consider and recommend to the board qualified candidates for election as directors; to lead the search for qualified candidates who may be submitted by directors, officers, employees, stockholders and others; and periodically to prepare and submit to the board for adoption the committee s selection criteria for director nominees. The Governance and Board Composition Committee acts pursuant to a written charter posted on our website at http://ir.conexant.com/documentdisplay.cfm?DocumentID=6468. In the opinion of the board of directors, all current members of the Governance and Board Composition Committee are independent directors. The Governance and Board Composition Committee met four times during the 2010 fiscal year.

Under the Governance and Board Composition Committee s current board selection criteria (included in our Corporate Governance Guidelines and posted on our website at http://ir.conexant.com/documentdisplay.cfm?DocumentID=7887), director candidates are selected with a view to bringing to our board a variety of experiences and backgrounds. In evaluating the suitability of individual board members, the board and Governance and Board Composition Committee will take into account many factors, including each director candidate s: (i) general understanding of the industry, sales and marketing, finance and other elements relevant to the success of a publicly-traded company in today s business environment; (ii) understanding of our business on a technical level; and (iii) level of managerial experience in a relatively complex organization and ability to deal with complex problems. Although we do not have a formal policy with regard to the consideration of diversity in identifying director nominees, the board does consider the diversity of experience and background (including, but not limited to educational and professional background and experience) of director candidates in selecting board nominees. As described above, the goal of the board and the Governance and Board Composition Committee is to have a board that, as a whole, can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment. On an annual basis, as part of the board s self-evaluation, the board assesses whether the mix of board members is appropriate for our company. In considering possible candidates for election as independent directors, the Governance and Board Composition Committee and the board are guided by the general board membership criteria discussed above and by the following specific criteria: each independent director should (i) be an individual of the highest character and integrity, who has experience at or demonstrated understanding of strategy/policy setting and a reputation for working constructively with others; (ii) have sufficient time available to devote to our affairs in order to carry out his or her duties as a director; and (iii) be free of any conflict of interest that would interfere with the proper performance of the responsibilities of a director (which excludes from consideration: (x) officers of companies in direct or substantial competition with us, and (y) officers of major or potential major customers, suppliers or contractors where the dollar amount involved is material to us or such person or the entity with which such person is affiliated). In fulfilling its responsibility to lead the search for qualified director candidates, the Governance and Board Composition Committee consults with other directors, as well as the CEO and other senior executives. The Governance and Board Composition Committee may also from time to time retain third party search firms to assist in identifying candidates. No such firm was retained by the Governance and Board Composition Committee during fiscal 2010.

The Governance and Board Composition Committee will consider director candidates recommended by the stockholders in the same manner and using the same criteria as recommendations received from other sources. A stockholder may recommend a director candidate to the Governance and Board Composition Committee by delivering a written notice to our Secretary at its principal executive offices. The notice should include appropriate biographical information and a description of the candidate s qualifications and the relationship, if any, to the stockholder making the recommendation. Following review of the notice, the Governance and Board Composition Committee may request additional information concerning the director candidate as it deems reasonably required to determine the eligibility and qualification of the director candidate to serve as a member of the board. Stockholders who wish to recommend candidates for consideration by the board in connection with the 2012 Annual Meeting of Stockholders should submit their written recommendation no later than October 1, 2011. Please note that stockholders who wish to nominate a

person for election as a director in connection with an annual meeting of stockholders (as opposed to making a recommendation to the Governance and Board Composition Committee as described above in this paragraph) must follow the procedures described under the heading Information About the Annual Meeting of Stockholders 2012 Stockholder Proposals or Nominations.

Compensation and Management Development Committee. The principal functions of the Compensation and Management Development Committee, referred to as the Compensation Committee, are to review and approve on an annual basis the corporate goals and objectives with respect to compensation for the CEO; to determine the salaries of all executive officers and review annually the salary plan for other executives in general management positions; to review our base pay, incentive compensation, deferred compensation and all stock-based plans; to review the performance of our CEO and oversee the development of executive succession plans; to review and discuss with management the Compensation Discussion and Analysis section included in this proxy statement and prepare and publish the Report of the Compensation Committee included in this proxy statement; and to recommend compensation and benefits for non-employee directors. The Compensation Committee takes input and advice from the CEO and other members of senior management when reviewing and approving compensation and benefits. However, executives do not make recommendations with respect to their own pay. The Compensation Committee has the authority to retain the services of independent compensation consultants to assist it in its work. The Compensation Committee also has the authority to delegate any of its responsibilities to subcommittees as it deems appropriate in its sole discretion. The Compensation Committee has not nor does it have any current intention to delegate any of its authority to a subcommittee. For more information on the responsibilities and activities of the Compensation Committee, including its processes of determining executive compensation, see the Compensation Discussion and Analysis section included in this proxy statement. The Compensation Committee acts pursuant to a written charter posted on our website at http://ir.conexant.com/documentdisplay.cfm?DocumentID=6467. In the opinion of the board of directors, all current members of the Compensation Committee are independent directors. The Compensation Committee met six times during the 2010 fiscal year and acted by unanimous written consent two times.

2010 Board Meetings

The board of directors held eight meetings and acted by unanimous written consent one time during the 2010 fiscal year. Each director is expected to attend each meeting of the board and those committees on which he serves. No sitting director attended less than 75% of all the meetings of the board and those committees on which he served in the 2010 fiscal year. In addition, the independent directors held four meetings during the 2010 fiscal year. Directors are expected to attend our annual meetings of stockholders. All currently serving directors, who were members of the board of directors as of the time of the 2010 Annual Meeting of Stockholders, attended that meeting in person or by telephone.

Stockholder Communications with Directors

The board of directors has implemented a process for the stockholders to send communications to the board. Any stockholder desiring to communicate with the board, or with specific individual directors, may do so by writing to the Secretary of Conexant at 4000 MacArthur Boulevard, Newport Beach, California 92660, who has been instructed by the board to forward promptly all such communications to the addressees indicated thereon.

Board Role in Risk Oversight

Our management has primary responsibility for identifying and mitigating risks to our company. The board s role in risk oversight is one of overall responsibility for oversight with a recognition of the multifaceted nature of risk management. It is a control and compliance function, but it also involves strategic considerations in normal business decision making. It covers legal and regulatory matters, finance, and operations. Throughout the fiscal year, the board and its committees review and monitor risk management. In addition, there is a Risk Management Committee consisting of members of management, which oversees and analyzes strategic, operational, financial reporting and compliance risks and reports to the Audit Committee and/or board as appropriate. The board s risk oversight process builds upon management s enterprise-wide risk assessment and mitigation processes, which include on-going monitoring of various risks including those associated with long-term strategy and business operations; regulatory and legal compliance; and financial reporting.

We believe that our leadership structure, discussed in detail under the heading Board Leadership Structure and Meetings of the Independent Directors above, supports the risk oversight function of the board for the same reasons that we believe the structure is most effective for us in general, that is, by providing unified leadership

through a single person, while allowing input from independent board members, all of whom are fully engaged in board deliberations and decisions.

The board s three standing committees, all composed entirely of independent directors, are each integral to the control and compliance aspects of risk oversight by our board and have been delegated responsibility for the oversight of specific risks as follows:

- The Audit Committee oversees risk policies and processes relating to financial statements and financial reporting, as well as investment, capital structure and compliance risks, and guidelines, policies and processes for monitoring and mitigating those risks.

- The Compensation Committee oversees risks associated with our compensation plans and the effect the compensation structure may have on business decisions and on the attraction and retention of qualified management.

- The Governance and Board Composition Committee oversees risks related to our governance structure, the evaluation of individual board members and committees, and certain types of litigation.

Each of these committees meets regularly with management to review, as appropriate, compliance with existing policies and procedures and to discuss changes or improvements that may be required or desirable. Each of the committees meets at least as often as the full board and frequently when the full board meets. This ensures that each committee has adequate time for in-depth review and discussion of all matters associated with each committee s area of responsibility. After their meetings, each committee reports to the board, sometimes without the chairman and CEO present, for a discussion of issues and findings as well as any board recommendations of appropriate changes or improvements.

In particular, we have reviewed our compensation programs to determine whether they encourage unnecessary or excessive risk taking and have concluded that they do not. We believe that the design of our annual cash and long-term equity incentives provides an effective and appropriate mix of incentives focused on long-term stockholder value creation. While our cash bonuses are generally based on quarterly or semiannual results, such bonuses are generally capped and represent only a portion of each individual s overall total compensation opportunities. We also generally have discretion to determine bonus payments (or pay no bonus) for all employees, except the named executive officers for whom bonus amounts are determined by the Compensation Committee, based on individual performance and any other factors it may determine to be appropriate in the circumstances.

Regarding our compensation arrangements for its executive officers, the Compensation Committee takes risk into account in establishing and reviewing these arrangements. The Compensation Committee believes that existing executive compensation arrangements do not encourage unnecessary or excessive risk because base salaries are fixed in amount. While our annual incentive program pool is based on our achieving specified performance goals in order for cash bonuses to be granted to executives under the program, the Compensation Committee determines the actual amount of each named executive s cash bonus based on its assessment of company and individual performance. The Compensation Committee believes that the annual incentive program appropriately balances risk and the desire to focus executives on specific annual goals important to our success and that it does not encourage unnecessary or excessive risk taking.

In addition, a significant portion of the compensation provided to our executive officers is in the form of equity awards that further align executives interests with those of stockholders. For most executives, equity incentives constitute the majority of the executive s total compensation opportunity. The Compensation Committee believes that these awards do not encourage unnecessary or excessive risk-taking since the ultimate value of the awards is tied to our stock price, and since grants are generally made on an annual basis and are subject to long-term vesting schedules to help ensure that executives always have significant value tied to long-term stock price performance.

Certain Relationships and Related Person Transactions

Pursuant to our written Standards of Business Conduct, each director and executive officer has an obligation to avoid any activity, agreement, business investment or interest, or other situation that could be construed either as divergent to or in competition with our interest or as an interference with such person s primary duty to serve us. Each director and executive officer is required to complete an annual questionnaire that requires disclosure of any transaction between us and the director or executive officer or any of his or her affiliates or immediate family members. A copy of our Standards of Business Conduct can be accessed on our website at http://ir.conexant.com/governance.cfm.

In addition, our board has adopted a written Related Person Transactions Policy. The purpose of this policy is to describe the procedures used to identify, review, approve and disclose, if necessary, any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which (i) we were, are or will be a participant, (ii) the aggregate amount involved exceeds $120,000, and (iii) a related person has or will have a material direct or indirect interest. For purposes of the policy, a related person is (i) any person who is, or at any time since the beginning of the last fiscal year was, one of our directors or executive officers or a nominee to become a director, (ii) any person who is known to be the beneficial owner of more than 5% of our common stock, (iii) any immediate family member of any of the foregoing persons, or (iv) any firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner or principal or in a similar position, or in which all of the related persons, in the aggregate, have a 10% or greater beneficial ownership interest.

Under the policy, once a related person transaction has been identified, the Audit Committee must review the transaction for approval or ratification. In determining whether to approve or ratify a related person transaction, the Audit Committee is to consider all relevant facts and circumstances of the related person transaction available to the Audit Committee. The Audit Committee must approve only those related person transactions that are in, or not inconsistent with, our best interests and the best interests of the stockholders, as the Audit Committee determines in good faith. No member of the Audit Committee will participate in any consideration of a related person transaction with respect to which that member or any of his or her immediate family members is a related person.

Related Person Transactions

We have entered into indemnification agreements with each of our directors and executive officers and with certain other executives. The indemnification agreements require us to indemnify these individuals to the fullest extent permitted by Delaware law and to advance expenses incurred by them in connection with any proceeding against them with respect to which they may be entitled to indemnification by us. Other than these indemnification agreements, there were no transactions by any of the directors or executive officers in fiscal 2010 that were required to be reported pursuant to the Related Person Transactions Policy, the Standards of Business Conduct Policy or otherwise.

Director Education

The board encourages its members to participate in continuing education programs on topics that will assist members in better fulfilling their responsibilities. Non-employee directors will be reimbursed for reasonable education expenses. See Non-Employee Directors Compensation below.

Non-Employee Directors Compensation

Non-employee directors receive a base retainer of $30,000 per year for board service and an additional retainer for service on committees of our board, an annual stipend of $15,000 for services as the Lead Independent Director, an annual fee of $7,500 for service as a member of a committee or an annual stipend of $15,000 for service as a committee chairman, except for the chairman of the Audit Committee, who receives $20,000. In addition, each non-employee director receives $1,500 per day for each board meeting attended in person or by telephone. Each non-employee director also receives $1,000 for each committee meeting attended either in person or by telephone.

All of our directors have stock options, granted under the Directors Stock Plan, which plan was suspended on August 20, 2008.

On February 18, 2010, each non-employee director received a grant of 17,000 RSUs. These RSUs will vest as shares of Conexant common stock after the non-employee director retires from service on the board of directors, provided that such retirement occurs more than one year after the date of grant. These RSUs were granted out of our 2010 Equity Incentive Plan. On May 12, 2010, each non-employee director received a grant of 15,000 RSUs. These units will vest as shares of Conexant common stock after the non-employee director retires from service on the board of directors, provided that such retirement occurs more than three years after the date of grant. These RSUs were also granted out of our 2010 Equity Incentive Plan.

With respect to annual RSU grants from the 2010 Equity Incentive Plan, the board determined to use a formal methodology to determine the value of such grants. The value of an RSU grant will be a function of the 200-day moving average closing price of Conexant common stock, and the maximum amount of any individual grant will be 25,000 RSUs per year. However, the board of directors may in it sole discretion modify this methodology and the maximum amount of any RSU grant. Newly elected non-employee directors will be granted RSUs with a value of $125,000, based on the 200-day moving average closing price of Conexant s common stock, up to a maximum of 50,000 RSUs, which would vest upon the non-employee director s retirement from service on the board of directors, provided that such retirement occurs more than three years after the date of grant.

In connection with the merger, our non-employee directors may be entitled to certain benefits with respect to their outstanding and unvested equity awards with respect to shares of Conexant common stock. For a more detailed discussion of the terms of the merger agreement with respect to the treatment of outstanding equity awards in connection with the merger, see Proposal No. 1 Adoption of the Merger Agreement The Merger Agreement Treatment of Stock Options and Other Equity-Based Awards beginning on page 42.

In addition, effective June 1, 2010, we amended our existing Matching Gift Program so as to provide for a match by us of $2 for each $1 cash donation (by any employee or any non-employee director) up to a total match of $5,000 per fiscal year. Cash donations eligible for a matching gift must be made to an accredited educational institution as deemed appropriate by us.

We also determined that once in every three-year period we will reimburse directors for education expenses related to board governance, service, and other board education programs. Directors are encouraged to seek reimbursement on a pro-rata basis from all boards on which such directors serve at the time such expenses are incurred.

Directors are also reimbursed for transportation and other expenses actually incurred in attending board and committee meetings.

The table below sets forth the compensation for our non-employee directors for fiscal 2010. The compensation paid to Mr. Mercer, our chairman and CEO, as an employee, is presented in the Summary Compensation Table and related explanatory tables below. Mr. Mercer does not receive any additional compensation for his services as a director.

Director Compensation for Fiscal 2010

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	All Other Compensation ($)	Total ($)
William E. Bendush	85,000	132,310			217,310
Steven J. Bilodeau	79,750	132,310			212,060
F. Craig Farrill	55,000	132,310			187,310
Balakrishnan S. Iyer	92,000	132,310			224,310
Matthew E. Massengill	57,750	132,310			190,060
Jerre L. Stead	71,250	132,310			203,560

(1) The amounts reported in this column reflect the fair value on the grant date of the RSU awards granted to non-employee directors during fiscal 2010. These values have been determined under the principles used to calculate the grant date fair value of equity awards for purposes of our financial statements. For additional information on valuation assumptions, refer to note 1 of our financial statements in our Annual Report on Form 10-K for the fiscal year ended October 1, 2010, as filed with the SEC. Each non-employee director received 17,000 RSUs on February 18, 2010 and 15,000 RSUs on May 12, 2010. The grant date fair market value of these RSUs for each director determined at the time of grant was $5.03 and $3.12 per share, which were the closing market prices of Conexant common stock on the respective dates of grant.

(2) No stock options were granted to the directors in fiscal 2010. Total stock options held by directors as of the end of fiscal 2010 were as follows: Bendush 4,000, Bilodeau 16,594, Farrill 26,739, Iyer 82,663, Massengill 4,000, Mercer 13,934, Stead 26,739.

Report of the Audit Committee

The Audit Committee has furnished the following report on Audit Committee matters:

The Audit Committee operates under a written charter adopted by the board of directors. It is available on our website at http://ir.conexant.com/governance.cfm. The charter was last amended effective on May 12, 2010. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. The Audit Committee consists entirely of independent directors, as defined under applicable rules of NASDAQ and the SEC, and each member is an audit committee financial expert as defined by SEC rules.

The Audit Committee has reviewed and discussed the written disclosures and letter from Deloitte & Touche LLP, referred to as Deloitte & Touche, our independent registered public accountants, as required by the Public Company Accounting Oversight Board regarding the independent registered public accountants communications with the Audit Committee concerning independence, and discussed with Deloitte & Touche its independence from us. Non-audit services provided by Deloitte & Touche were considered in evaluating its independence. Based upon this review and the representations by the independent auditors, the Audit Committee satisfied itself as to the independence of Deloitte & Touche.

The Audit Committee also reviewed and discussed with Deloitte & Touche the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T and the results of the examination of our consolidated financial statements for fiscal 2010. The Audit Committee also reviewed and discussed the results of internal audit examinations and reviewed and discussed the audited financial statements with management. Based on the reviews and discussions, the Audit Committee recommended to the board of directors that our audited financial statements be included in our Annual Report on Form 10-K for fiscal 2010.

The Audit Committee also reviewed and discussed management s report on its assessment of the effectiveness of internal control over financial reporting as of October 1, 2010 and the report from Deloitte & Touche on the

effectiveness of our internal control over financial reporting as of October 1, 2010. Based upon the reviews and discussions with management, our internal auditors and Deloitte & Touche, the Audit Committee approved the inclusion of management s report on its assessment of the effectiveness of internal control over financial reporting and the report from Deloitte & Touche as of October 1, 2010 in our Annual Report on Form 10-K for fiscal 2010.

The Audit Committee has selected Deloitte & Touche as the independent registered public accounting firm for fiscal 2011. The board is recommending that stockholders ratify this selection at the annual meeting.

Audit Committee

William E. Bendush, Chairman
Steven J. Bilodeau
Balakrishnan S. Iyer

EXECUTIVE COMPENSATION

Executive Officers

The name, age, office and position held with us, and principal occupations and employment during the past five years of each of our executive officers are as follows:

D. Scott Mercer, age 60 See Proposal No. 2 Election of Directors Information as to Nominees for Directors and Continuing Directors for Mr. Mercer s biographical information.

Sailesh Chittipeddi, age 48 Mr. Chittipeddi has served as our president and chief operating officer since November 18, 2010. He was co-president since June 2009. He served as our executive vice president, global operations and chief technology officer from April 2008 to June 2009. From June 2006 to April 2008, he served as our senior vice president of global operations. From 2001 to 2006, he served as a director in the global operations organization at Agere Systems, Inc. (semiconductors and related devices).

Christian Scherp, age 45 Mr. Scherp has served as our executive vice president, global sales since November 18, 2010. He was our co-president from June 2009 through November 2010. From April 2008 to June 2009, he was our president. From June 2005 to April 2008, he was our senior vice president of worldwide sales. From May 2004 to June 2005, Mr. Scherp was the vice president and general manager of the wireless/wireline communications group at Infineon Technologies of North America (semiconductors and related devices).

Jean Hu, age 47 Ms. Hu has served as our chief financial officer, treasurer and senior vice president, business development, since June 2009. From December 2008 to June 2009, she served as our chief financial officer and senior vice president, business development. From February 2006 to December 2008, she served as our senior vice president, strategy and business development. From February 2004 to February 2006, she served as our vice president, strategy and business development.

Mark D. Peterson, age 48 Mr. Peterson has served as our senior vice president, chief legal officer, and secretary since March 2008. From August 2007 to March 2008 he served as senior vice president, general counsel, and secretary of Targus Group International, Inc. (mobile computing accessories). From October 1997 to August 2007, he served in various senior roles, including senior vice president, general counsel, and secretary at Meade Instruments Corp. (consumer and industrial optical instruments and equipment).

Compensation Discussion and Analysis

The following discusses the material elements of the compensation programs for our principal executive officer, principal financial officer and other executive officers, referred to collectively as the named executive officers, identified in the Summary Compensation Table in this proxy statement. The information presented includes a discussion of the overall objectives of our compensation programs and each element of compensation provided to the named executive officers. As of the end of fiscal 2010, the named executive officers are D. Scott Mercer, chairman of the board and CEO; Christian Scherp, president; Sailesh Chittipeddi, president; Jean Hu, chief financial officer, treasurer and senior vice president, business development; and Mark D. Peterson, senior vice president, chief legal officer and secretary.

The Compensation and Management Development Committee

The Compensation Committee evaluates and approves the compensation programs and policies applicable to our named executive officers, including determining all components of compensation to be paid to the named executive officers and administering our stock plans (including reviewing and approving equity grants to executive officers), and also periodically reviews the compensation of other senior executive officers who have significant managerial responsibility. The Compensation Committee also assists the board of directors in developing and evaluating executive positions and overseeing executive performance and succession. A more detailed description of the Compensation Committee s composition, function, duties and responsibilities is set forth in this proxy statement

under the heading Proposal No. 2 Election of Directors Information Concerning the Board of Directors Board Committees and Committee Meetings.

Guiding Principles and Compensation Objectives

We believe that executive compensation should be based on a pay-for-performance philosophy that rewards executives for performance and focuses management on critical short term and long-term objectives. Our compensation programs are intended to link a substantial portion of each executive s total compensation opportunity to individual performance, business unit performance (where applicable), Our overall business and financial performance and increases in stockholder value. We believe that this type of performance-based compensation is appropriate for our business and industry and provides the flexibility necessary to achieve the primary objective of attracting, motivating and retaining key talent for our senior management, other executive officers and employees generally while protecting the interests of the stockholders.

We seek to provide executive compensation that is competitive in its industry in order to attract, motivate and retain quality talent. The mix of compensation is designed to reward recent results and motivate long-term performance. A key objective of our compensation programs is to achieve sustained year-over-year performance by requiring that executive officers and other key members of senior management have a significant portion of their compensation tied to stockholder value. At the senior executive level, this is done by providing an equity stake in our company, which serves as a material retention tool for management and ties their performance directly to stockholder performance. Equity awards are used as an incentive to retain key employees and as an inducement for the hiring of new executives. There are many factors, both internal to us and external in the marketplace, which are considered when designing and implementing our compensation programs. The Compensation Committee s judgment in making its decisions is a critical part of the program and helps give us flexibility in designing incentives to attract qualified executives in the current employment market.

Role of Compensation Consultant

In an effort to strengthen governance practices in the area of compensation and assist with compliance of evolving compensation practices during the fiscal year, the Compensation Committee retained Frederic W. Cook & Co., referred to as FWC, as its independent compensation consultant. FWC s role in supporting the committee is to bring expertise, experience, independence and objectivity to our deliberations with regard to compensation issues presented as requested by the committee. FWC provides market intelligence on compensation trends along with general views and specific advice on our compensation programs and practices. During fiscal 2010, FWC reviewed and advised us and the Compensation Committee on several topics in fiscal 2010, including the CEO s pay-for-performance disclosure, the perquisite program for named executive officers, the named executive officer agreements and the disclosures regarding compensation of named executive officers described in this proxy statement. The Compensation Committee retains the right to hire and independently direct the work of its independent compensation consultant in its sole discretion. FWC will not provide any other services to us without the approval of the Compensation Committee.

Also during fiscal 2010, we discussed with Semler Brossy Consulting Group, LLC, referred to as Semler Brossy, the design of programs that affect director compensation. Semler Brossy is directed by our human resources department and management and provided analysis which is provided to the Compensation Committee for its review and consideration regarding director compensation. Except for the foregoing, we did not receive any other services from Semler Brossy in fiscal 2010.

Determining Compensation Levels

Our chairman and CEO and our senior vice president, human resources provide information and context to assist the Compensation Committee in reaching compensation and development decisions with respect to our named executive officers other than the chairman and CEO. The Compensation Committee periodically meets in executive session, as it deems appropriate and without management, to discuss and determine the compensation and performance of the chairman and CEO. The chairman and CEO is not present during deliberation on his compensation and does not participate in the Compensation Committee s decision on setting his pay levels. The

other named executive officers do not play a role in their own compensation determinations, other than discussing individual performance objectives with the chairman and CEO.

Based on the Compensation Committee s assessment of (1) data from industry peers and national surveys, (2) the report of its independent compensation consultant and (3) performance judgments as to the past and expected future contributions of individual executive officers, the Compensation Committee establishes base salaries, short-term annual incentives and long-term incentives for each named executive officer. For each individual named executive officer, each component of compensation is generally intended to be near the median of the competitive data for comparable positions at similar companies. However, the Compensation Committee does not establish compensation at particular levels with respect to market data and may use its discretion to set any one or more of the components of compensation at levels higher or lower than the median depending on its assessment of an individual executive s role, responsibilities and performance, internal pay equity within our company and our need to attract qualified individuals from the external market. While there is no specific formula used to establish executive compensation, the Compensation Committee considers the total compensation (earned or potentially available) of our executive officers in establishing each component of compensation.

Use of External Survey Data. In establishing compensation levels for our executive officers, the Compensation Committee considers executive compensation levels of U.S.-based semiconductor and other high technology companies, including companies of similar size, scope, competitors for talent and industry, to us. For fiscal 2010, the Compensation Committee used the proprietary Radford High Tech survey database which provides data specific to the high technology and semiconductor industry compensation practices to review pay levels for the named executive officers as well as for other select executives being reviewed by the Compensation Committee. The Radford survey data includes more than 90 High Tech semiconductor companies and allows the compensation data to be sorted and grouped by revenue for comparison purposes. Also the list of comparable semiconductor companies has been established for comparison purposes. The Compensation Committee established the group in fiscal 2009 based on semiconductor companies of similar revenue size, competitors for talent, competitors for customers and market capitalization. No companies have been added or removed since the group was established last fiscal year.

Atheros Communications, Inc.	PMC-Sierra, Inc.
Cirrus Logic, Inc.	RF Micro Devices, Inc.
DSP Group, Inc.	Silicon Image, Inc.
Integrated Device Technologies, Inc.	Silicon Laboratories, Inc.
Intersil Corporation	Silicon Storage Technology, Inc.
Microsemi Corporation	Skyworks Solutions, Inc.
Mindspeed Technologies, Inc.	Standard Microsystems Corporation
OmniVision Technologies, Inc.	Zoran Corporation

While market survey data is a reference point for decisions on compensation, we also rely on the recommendations of management and the judgment of the Compensation Committee, as well as outside consultants as requested, regarding appropriate pay levels for our executive officers. As outlined below with respect to specific elements of compensation, other factors may be considered when determining specific pay, primarily internal pay equity, achievement of business objectives and performance over the prior year,