



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

LOUISIANA MUNICIPAL POLICE
EMPLOYEES' RETIREMENT SYSTEM,
on behalf of itself and all others similarly
situated,

Plaintiff,

v.

STEVEN LAUB, DAVID SUGUSHITA,
TSUNG-CHIING-WU, CHARLES
CARDINALLI, PAPKEN DER
TORROSSIAN, JACK L. SALTICH, and
EDWARD ROSS,

Defendants.

Civil Action No. _____

VERIFIED CLASS ACTION COMPLAINT

Plaintiff Louisiana Municipal Police Employees' Retirement System ("LAMPERS" or "Plaintiff"), by its undersigned counsel, on behalf of itself and all other similarly situated public shareholders of Atmel Corporation (hereafter, "Atmel" or the "Company"), brings the following Verified Class Action Complaint ("Complaint"). The allegations of this Complaint are based on the personal knowledge of Plaintiff as to itself and on information and belief (including the investigation of counsel and review of publicly available information) as to all other matters.

SUMMARY OF THE ACTION

1. In this action, the shareholders of Atmel seek relief from bad faith breaches of fiduciary duty by Atmel's Board of Directors (the "Board") and senior management in reaction to an unsolicited, non-coercive premium merger proposal from Microchip Technology Incorporated ("Microchip") and ON Semiconductor Corporation

(“ON Semi”) (together, the “Bidders”). In particular, serving no purpose other than to thwart the efforts of Microchip and ON Semi, the Atmel Board amended the Company’s pre-existing poison pill to make it significantly more onerous, and potentially preclusive and destructive of shareholder value, without regard to proportionality or to how such a drastic measure could conceivably benefit Atmel shareholders.

2. On October 2, 2008, Microchip and ON Semi submitted a joint proposal to acquire Atmel for \$5.00 per share in cash, representing a \$2.3 billion acquisition transaction at a 52.4% premium to Atmel’s closing price on October 1, 2008 (the “Proposed Acquisition”).

3. The Atmel Board refused to negotiate with Microchip and ON Semi in good faith and rejected the Acquisition Proposal without exploring whether it was the best alternative available for Atmel’s shareholders.

4. Atmel’s directors were already protected by a pre-existing poison pill that precluded a hostile tender offer from closing and enabled Atmel’s directors to prevent the Company’s shareholders from considering the merits of any such proposal if a hostile bidder acquired more than 20% of the Company’s outstanding shares. Notably, however, even if the pill could serve some legitimate purpose in other instances, the Board is at some point required to terminate the pill so that an informed electorate can make its choice.

5. Rather than either negotiate with the Bidders or attempt to convince Atmel’s shareholders why they should not support a takeover at the price being offered, Atmel’s Directors moved to solidify their control over the Company and to entrench themselves in their positions on the Board by making any effort to challenge their reelection much more difficult.

6. Specifically, shortly after an acquisition of Atmel by Microchip received the approval of federal antitrust regulators, and in direct response to the Bidders' acquisition proposal, the Board amended the Company's poison pill by potentially accelerating the triggering of Atmel's pill and preventing the Bidders from engaging in open-market transactions in furtherance of a tender offer or proxy fight (the "Poison Pill Amendment"). The Poison Pill Amendment decreases the percentage of Atmel ownership necessary to trigger the pill from 20% to 10% for any person or group of persons (such as Microchip and ON Semi) who announce a "Takeover Proposal" on or after October 1, 2008 (which necessarily includes the Bidders).

7. The Poison Pill Amendment also amends the definition of "beneficial ownership" to include derivative interests in the Company, which the Board defines in overly broad and fatally vague terms. By expanding the definition of "beneficial ownership" the Atmel Board has effectively accelerated the rate at which Microchip, ON Semi and their "Affiliates" and "Associates" will reach the 10% threshold necessary to trigger the Poison Pill.

8. In fact, since derivative securities holdings are not typically disclosed in public filings, the Atmel Board adopted the Poison Pill Amendment in a manner that could have exposed the Company and its shareholders to an immediate triggering of the pill, which would cause chaos in the market for Atmel stock and harm Atmel financially. Moreover, this amendment is clearly intended to disrupt a non-coercive effort by the Bidders that may well lead to share value maximization, that the Board's actions evidence their bad faith and breach of fiduciary duties.

9. The Board's defensive measures were grossly disproportionate to any threat arguably presented by the Bidders for a friendly merger at a significant premium.

10. Plaintiff seeks an order declaring the Poison Pill Amendment invalid, requiring the Board to withdraw the Company's poison pill so that shareholders can decide for themselves when and whether to sell their shares, as well as providing all available recourse for the Board's bad faith conduct, which may cost Atmel's shareholders the opportunity to realize a significant premium for their shares.

THE PARTIES

11. Plaintiff Louisiana Municipal Employees' Retirement System has been a shareholder of Atmel at all material times alleged in this Complaint, and will continue to be a shareholder throughout its pendency.

12. Atmel is incorporated under the laws of the state of Delaware, with its principal executive offices located at 2325 Orchard Parkway, San Jose, California 95131. The Company is listed under the symbol "ATML" on the NASDAQ Exchange. Atmel, founded in 1984, designs and manufactures microcontrollers and complementary products such as capacitive touch sensing ICs, ASICs, nonvolatile memory and radio frequency components. Atmel claims to possess one of the industry's broadest intellectual property technology portfolios, which it uses to provide the electronics industry with microcontroller-based system solutions focused on consumer, industrial, automotive, security, and communications computing markets.

13. Defendant Steven Laub is a current director of Atmel and serves as President and Chief Executive Officer of Atmel. In 2007, Mr. Laub earned over \$5.5 million in total compensation for his role at Atmel. Prior to joining Atmel, Steven Laub was a technology partner at Golden Gate Capital Corporation, a private equity buyout firm, and the Executive Chairman of Teridian Semiconductor Corporation, a mixed signal semiconductor company. From 2004 to 2005, Mr. Laub was President and Chief Executive Officer of Silicon Image, Inc., a provider of semiconductor solutions. Prior to

that time, Mr. Laub spent 13 years in executive positions (including President, Chief Operating Officer and member of the Board of Directors) at Lattice Semiconductor Corporation, a supplier of programmable logic devices and related software.

14. Defendant Tsung-Ching Wu Ph.D., is a current director of Atmel and serves as Executive Vice President, Office of the President of Atmel. In 2007, Defendant Wu earned over \$1.3 million in total compensation for his role at Atmel. Defendant Wu has served as a director of Atmel since 1985, as Vice President, Technology from January 1986 to January 1996, as Executive Vice President and General Manager from January 1996 to 2001 and as Executive Vice President, Office of the President since 2001.

15. Defendant David Sugishita is a current director of Atmel and serves as Chairman of the Board. In 2007, Mr. Sugishita earned over \$270,000 in total compensation for his role as a director of Atmel. Mr. Sugishita has served as the Non-executive Chairman of Atmel since August 2006 and as a director of Atmel since February 2004. He also serves as a Director and Chairman of the Audit Committee for Ditech Networks as well as a Director for Micro Component Technology.

16. Defendant Charles Carinalli has been a director of Atmel since February 2008. Defendant Carinalli has been a Principal of Carinalli Ventures since January 2002.

17. Defendant Papken Der Torossian has been a director of Atmel since July 2007. He has been the Chairman of Vistec Semiconductor Systems, Inc. since September 2005 and the Managing Director of Crest Enterprise LLC since September 1997.

18. Defendant Jack L. Saltich has been a director of Atmel since July 2007. He has been the Chairman and interim Chief Executive Officer of Vitex Systems, Inc., a private technology company, since January 2006. Mr. Saltich currently serves as a member of the boards of directors of Leadis Technology, Inc., Immersion Corporation, Ramtron International Corporation, InPlay Technologies, and Vitex Systems Inc.

Mr. Saltich also serves on the Technical Advisory Board of DuPont Electronic Materials Business and the Manufacturing Advisory Board for Cypress Semiconductor.

19. Defendant Dr. Edward Ross has served as a director of Atmel since April 2008.

20. Defendants Laub, Wu, Sugishita, Carinalli, Der Torossian, Saltich, and Ross are collectively referred to herein as the “Board” or “Atmel Directors” or the “Defendants.” Each of the Atmel Directors was a member of Atmel’s Board of Directors at all pertinent times. By reason of their positions, the Atmel Directors owe fiduciary duties to Atmel and its shareholders, including the obligations of loyalty, good faith, fair dealing, disclosure, and due care.

FACTUAL BACKGROUND

A. Background of Atmel, Microchip and ON Semi

21. Atmel is a global leader in the design and manufacture of microcontrollers and complementary products such as capacitive touch sensing ICs, ASICs, nonvolatile memory and radio frequency components.

22. During the 1980s and 1990s, the company constructed its reputation and its business on the design of nonvolatile memory chips, which do not lose their programmed instructions while system power is turned off.

23. Microchip Technology Inc. was founded in 1989 when a group of venture capitalists acquired Microchip from General Instrument. Microchip is a leading provider of microcontroller and analog semiconductors, providing low-risk product development, lower total system cost and faster time to market for thousands of diverse customer applications worldwide. Microchip is headquartered in Chandler, Arizona. Steven Sanghi is currently the President, Chief Executive Officer and Chairman of the Board of Microchip.

24. ON Semiconductor Corporation is a leading supplier of semiconductor devices. It was previously known as Motorola, Inc.'s Semiconductor Components Group, and continues to manufacture Motorola's discrete, standard analog and standard logic devices. ON Semi was recapitalized and established as an independent company on August 4, 1999. Keith Jackson is currently President and Chief Executive Officer of ON Semi.

25. Francis P. Barton is a director of ON Semi and formerly the Chief Financial Officer (“CFO”) at Atmel, where he was responsible for the Company’s finance and administration. Barton left Atmel in 2005.

26. Donald A. Colvin is a director of ON Semi. Colvin joined ON Semi and SCI LLC as the Senior Financial Director in March 2003. Colvin also came from Atmel where he served as Chief Financial Officer of a subsidiary of Atmel from 1995 to 1998, and as Vice President Finance and Chief Financial Officer of Atmel beginning in 1998. As of April 2, 2003, he became Senior Vice President, Chief Financial Officer and Treasurer of ON Semi.

27. In response to a shareholder-led proxy contest in 2006, Atmel instituted a restructuring plan (the “Transformation Plan”). The Transformation Plan has failed to improve Atmel’s financial performance to date.

B. Microchip and ON Semi Propose An All Cash Acquisition

28. On October 2, 2008, Microchip and ON Semi publicly announced that they had sent a proposal to the Atmel Directors to acquire Atmel for \$5.00 per share in cash (the “Acquisition Proposal”).

29. The Acquisition Proposal, which is reportedly being led by Microchip, provides a premium of 52.4% to Atmel’s closing price of \$3.28 on October 1, 2008, and values Atmel at \$2.3 billion. Even in the current difficult market conditions, the

Acquisition Proposal represents a premium to Atmel's highest trading price in the last twelve months.

30. Microchip and ON Semi jointly sent a letter to Atmel's Board dated October 1, 2008, explaining the terms on which they proposed to consummate a joint acquisition. The letter read, in pertinent part, as follows:

October 1, 2008
Board of Directors
Atmel Corporation
2325 Orchard Parkway
San Jose, CA 95131

Attention: Steven Laub, President and Chief Executive Officer

Dear Steven:

We appreciate your having taken the time to meet with Steve Sanghi on September 5th to discuss Microchip's potential acquisition of Atmel. However, we were deeply disappointed to learn subsequently that the Atmel Board of Directors appears unwilling to consider a transaction at this time under any circumstances. Given your apparent refusal to engage in transaction discussions, we are writing to you to formally propose an acquisition of Atmel for \$5.00 per share in cash. The acquisition would be led by Microchip and financed in part by the sale of Atmel's nonvolatile memory and RF and automotive businesses to ON Semiconductor.

Our Offer Would Provide A Significant and Immediate Premium for Atmel Stockholders

We believe that this offer, which represents a 52.4% premium over Atmel's closing share price on October 1, 2008, is simply too compelling not to bring to your shareholders. Although we have a preference to effect a cash transaction, should you feel your stockholders would prefer a form of consideration other than cash, we would consider including common stock as a portion of the consideration.

This offer is full and fair and would deliver to your stockholders CY2008 EBIT and CY2008 P/E multiples of 19x and 28x, respectively, based on Wall Street estimates (multiples exclude approximately \$60 million of restructuring charges and approximately \$25 million of stock based

compensation). It offers your stockholders an extremely attractive return based on these and other relevant financial metrics, especially when weighed against the challenges in creating shareholder value that Atmel will face if it continues on a standalone basis. The transformation plan that Atmel adopted a year and a half ago in the face of a proxy contest brought by its founder is incomplete and continues to face significant execution risks and obstacles:

- **Continued Burden of Lagging and Sub-scale Operating Segments** - Atmel has reiterated frequently that the core tenant of its transformation plan is refocusing its resources on its microcontroller business; however, Atmel's underperforming ASIC and Auto businesses today remain very significant within the company's overall business. These Atmel segments are significantly below the scale that is necessary for success and they will continue to be a heavy anchor on Atmel's future operating results.
- **Considerable Execution Challenges** -
- **Deteriorating Macroeconomic Environment** -
- **Lagging Stock Price** -

We believe your stockholders are aware of, and fully appreciate, these risks and challenges confronting Atmel's current course and will find the certain value we are offering for their shares to be an attractive alternative to the otherwise uncertain future facing Atmel.

Contemplated Transaction

As the lead participant, Microchip would acquire Atmel in a cash merger (subject to Atmel's potential desire for some common stock). The transaction would be financed with a combination of cash from Microchip and proceeds from the sale of certain Atmel assets to ON Semiconductor. With respect to the latter, ON Semiconductor would acquire the assets related to Atmel's nonvolatile memory and RF and automotive businesses immediately prior to the merger closing....

Compelling Business Rationale that will Benefit Customers and Business Partners

It is clear that your businesses would thrive inside Microchip and ON Semiconductor. Microchip is a leading provider of microcontrollers and analog semiconductors, having posted industry-leading financial results and

superior shareholder returns. Microchip has a proven reputation for providing low-risk product development, lower total system cost and faster time to market for thousands of diverse customer applications worldwide spanning the automotive, communications, computing, consumer and industrial control markets. And ON Semiconductor is a leader in analog and mixed signal technology and design, with a focus on driving shareholder returns through strong margins and superior cash flow. ON Semiconductor is well-positioned as a preferred supplier of efficient power solutions to customers in the power supply, automotive, communication, computer, digital and consumer, medial, industrial and military/aerospace markets, with recognized excellence in sales and marketing, supply chain management and world class, high volume, cost effective manufacturing.

* * * *

Attractive Opportunity for Atmel's Talented Employee Base

We also believe the transaction we are proposing represents a uniquely attractive opportunity for Atmel's employees to join with companies better able to respond to marketplace challenges and compete successfully over the long-term. We have the highest respect for the quality of Atmel's workforce and its culture of innovation....

Prepared to Engage in Meaningful Discussions Promptly

We have dedicated significant time and resources in evaluating the merits and risks of this transaction and are confident that it can be consummated expeditiously in partnership with your team. We have reviewed the transaction with our respective counsel and are confident that the transaction will receive all necessary regulatory approvals. Although we have completed extensive due diligence based on publicly available information, our proposal is of course subject to customary due diligence, as well as the negotiation of definitive transaction agreements (including with respect to ON Semiconductor's additional financing) and the satisfaction of customary conditions to be set forth in such agreements. We have retained J.P. Morgan to act as our financial advisor and Simpson Thacher & Bartlett LLP and DLA Piper as legal advisors. We and our advisors are available to meet with you immediately to discuss the terms of our proposal and to commence due diligence and the negotiation of definitive documentation for the transaction.

We believe now is the right time to pursue the transaction, and we are committed to moving forward on an expedited basis. Considering the substantial premium and other compelling benefits of this proposal, we are confident that, given the opportunity, Atmel's stockholders and your other

stakeholders will enthusiastically support this offer. In light of the foregoing, we ask that you engage us in a meaningful and productive discussion about this proposal promptly and with a sense of urgency. We remain available to meet with you further to continue to discuss the value creation opportunity that the potential transaction represents. We look forward to your prompt response.

Sincerely,

Steven Sanghi
President, Chief Executive Officer
and Chairman of the Board
Microchip Technology
Incorporated

Keith Jackson
President and Chief Executive Officer
ON Semiconductor Corporation

31. On October 2, 2008, Microchip and ON Semi held a conference call to discuss the Acquisition Proposal. According to presentation materials utilized during this conference call, the Acquisition Proposal compares favorably to the “Status Quo of Atmel’s Incomplete Turnaround Plan.” Factors listed in the materials include:

- (i) Atmel has struggled to execute on its transformation plan.
- (ii) Atmel's strategy continues to include its underperforming ASIC and Auto businesses, which do not have the scale to successfully compete in the marketplace.
- (iii) The changes Atmel has implemented have only led to modest improvements in operating results. Operating margin for Atmel's microcontroller business continues to significantly lag behind Microchip.
- (iv) The current competitive and macroeconomic landscape only serve to magnify Atmel's operational challenges.
- (v) Despite implementing some strategic changes, Atmel's stock has dropped by 46% over the past 2 years. Over the same period, Microchip and ON Semiconductor have performed significantly better than Atmel.

32. Steven Sanghi, Chairman, President and CEO of Microchip commented during the October 2, 2008, conference call regarding Atmel's attempt to implement its Transformation Plan, stating:

The changes Atmel has implemented have only led to modest improvements in operating results. Operating margin for Atmel's microcontroller business continues to significantly lag behind Microchip. The current competitive and macroeconomic landscape only serves to magnify Atmel's operational challenges.

Despite implementing some strategy changes, Atmel's stock has dropped by 46% over the past two years. Over the same period, Microchip and ON Semiconductor have performed significantly better than Atmel.

33. Further evidence of Atmel's inability to effectively execute on its Transformation Plan is the fact that Atmel has reportedly lost 46 percent of its value over the past two years, while the Nasdaq Composite Index, to which Atmel belongs, dropped 31 percent. Moreover, according to electronics industry newspaper EE Times:

Atmel Corp. executives can't say they didn't have enough time to turn around the company. For years, Atmel struggled with poor revenue growth — like many of its competitors in the microcontroller, mixed-signal and ASIC markets — and made repeated fruitless efforts to buoy its depressed operating margins.

Now, two of its rivals, drooling at the prospect of fat returns if they successfully wring out costs from Atmel's bloated operations, have launched a hostile and public \$2.3 billion bid for the San Jose, Calif., company after its board of directors rejected an initial offer made during private discussions.

34. During the October 2, 2008 conference call, Mr. Sanghi stated that the Atmel Directors were unwilling to negotiate with Microchip and ON Semi, explaining:

I cannot tell you their reasoning but we had a very friendly chat with them and approached them to really do this deal and ***the answer we got was that the Board of Atmel did not want to do this deal under any circumstances, under any terms at this time.***

35. A decision by the Board that it is unwilling to explore a potentially shareholder-value-maximizing transaction “under any circumstances, under any terms,” cannot be in the shareholders’ best interest, since there is always a price at which a well-intentioned board of directors would support a transaction. An absolute refusal to consider takeover or merger proposals irrespective of the terms available constitutes bad faith.

36. Mr. Sanghi further explained during this conference call why Microchip and ON Semi felt it necessary to make the Acquisition Proposal public:

We think our proposal is just too compelling not to take it directly to the shareholders with such a large premium that brings forward the value that Atmel can create over several years and the significant risk that Atmel shareholders have on a go-it-alone plan especially with these challenging economic environments and our proposal brings that value forward. So we thought it was just too compelling not to take it to the shareholders.

37. The Atmel Directors initially responded publicly to the Acquisition Proposal by stating on October 2, 2008, that they would “review and consider the proposal in due course.”

38. On October 29, 2008, without engaging in any good faith negotiations with Microchip or ON Semi, the Atmel Directors announced their decision to reject the Acquisition Proposal, opting instead to continue attempting to execute on the Company’s long-standing and failing Transformation Plan.

39. On October 30, 2008, Microchip and ON Semi announced that they were disappointed with Atmel’s rejection of their proposal to acquire Atmel for a significant premium without engaging in any discussions with Microchip and ON Semi.

C. The Atmel Directors Amend The Poison Pill To Thwart The Acquisition Proposal

40. On November 7, 2008, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (the “HSR Act”) expired, providing Microchip regulatory clearance to purchase 50 percent or more of Atmel’s outstanding common stock.

41. In direct response to news that an acquisition of Atmel by Microchip received regulatory approval, the Atmel Directors implemented a defensive measure entirely disproportionate to any purported threat posed by the 52.4% premium Acquisition Proposal. Specifically, on November 10, 2008, Atmel announced that its Board had entered into an amendment (the “Poison Pill Amendment”) to the Company’s Amended and Restated Preferred Shares Rights Agreement (“Poison Pill”), dated as of October 18, 1999.

42. The Poison Pill Amendment is specifically designed to thwart the joint efforts of Microchip and ON Semi to acquire Atmel by lowering the percentage of ownership necessary to trigger Atmel’s Poison Pill from 20% to 10% for any person or group of persons who announced a “Takeover Proposal” on or after October 1, 2008.

43. Microchip and ON Semi announced their joint takeover proposal on October 2, 2008 and are therefore specifically targeted by the Poison Pill Amendment. Indeed, the Board left no doubt about the target of their conduct, stating in the Poison Pill Amendment that:

For the avoidance of doubt, each of Microchip Technology Inc., ON Semiconductor Corporation and any other Person acting together as a group with them in their Takeover Proposal shall be deemed to Beneficially Own all of the Common Shares Beneficially Owned by any of them or their Affiliates and Associates.

44. The Poison Pill Amendment also amends the definition of “beneficial ownership” to include derivative interests in any contract that is designed to produce economic benefits and detriments to the applicable party that correspond substantially to the ownership by such party of a number of shares of the Company’s common stock, regardless of whether obligations under such contract are settled through the delivery of cash, the Company’s common stock or other property. This definition is so vague as to leave substantial doubt about whether securities or other interests linked to Atmel are included in the calculation of “beneficial ownership.”

45. The Board’s bad faith purpose in broadening the definition of “beneficial ownership” was to accelerate the rate at which Microchip, ON Semi and their “Affiliates” and “Associates” would reach the 10% threshold to trigger Atmel’s poison pill. In fact, in its desperation to stave off the Bidders at all expense, the Atmel Board amended the Poison Pill in a way that could have caused it to immediately trigger, causing chaos in the capital markets and harming Atmel and its shareholders.

46. First, the Atmel Directors knew that several key former officers from Atmel are now working for Microchip and that these officers likely still own securities, including derivatives, in Atmel. Moreover, Microchip and ON Semi may have already acquired up to 4.9% of the Company’s shares without having to make any disclosures of their ownership on SEC Schedule 13F or 13D filings, and it is reasonable to believe that both or either of the Bidders may hold some amount of derivative securities linked to Atmel common stock, which do not necessarily need to be disclosed in Schedule 13D filings.

47. Accordingly, in amending the Company’s Poison Pill to lower the triggering threshold while also including derivatives securities, the Board expected and

perhaps intended to stop the Bidders' efforts in their tracks, with no corresponding benefit to Atmel's shareholders.

48. In publicly announcing the Poison Pill Amendment, the Atmel Directors also claimed the measure was adopted to permit the Company to continue working on its Transformation Plan. As previously alleged herein, the failure by Atmel's management to successfully implement this plan obligates the Atmel Directors to explore all shareholder value-maximizing options, including negotiating with Microchip and ON Semi in good faith.

49. In truth, however, the Poison Pill Amendment was designed to solidify the Atmel Directors' control over the Company and to entrench themselves in their positions on the Board.

50. To explain, Atmel's Board is not staggered; each of its directors is elected annually. Section 3.3 of Atmel's bylaws provides that the election of directors requires the affirmative vote of a majority of votes cast by shareholders at an annual meeting. By lowering the percentage of stock ownership that Bidders can acquire without triggering the Poison Pill, the Atmel Directors have further insulated themselves from a proxy fight by increasing the level of shareholder support that the Bidders (or any other potential acquirer) must obtain in order to effect a change of control.

51. Because Atmel's directors and officers, voting as a group, control less than 3% of the outstanding shares, there was a significant possibility prior to the Poison Pill Amendment that a shareholder owning just under 20% of the outstanding shares would be able to influence the public shareholders and obtain support for the ouster of the incumbent board. The Poison Pill Amendment significantly lessened that threat and constituted an unreasonable response to the Bidders' acquisition proposal.

D. Microchip and ON Semi Announce Intent to Nominate Their Own Slate Of Directors At Atmel's Next Annual Meeting Of Shareholders

52. On November 12, 2008, Microchip and ON Semi announced their intent to take their offer to acquire Atmel public by nominating their own slate of directors at Atmel's next annual meeting of shareholders, presumably in the spring of 2009 (since the previous annual meeting was held on May 14, 2008).

53. Steve Sanghi, President, Chief Executive Officer and Chairman of Microchip, and Keith Jackson, President and Chief Executive Officer of ON Semi, reportedly said when making their November 12, 2008, announcement:

Considering the significant value our proposal would create for Atmel's shareholders, *we were surprised that Atmel's Board rejected our offer without engaging in any discussions with us.* We remain fully committed to our offer despite unprecedented weakness and volatility in the equity markets, which have resulted in a decline of 23.6% in the Nasdaq Composite Index since we made our proposal.

We are confident that if Atmel were to enter into discussions and permit us to conduct customary due diligence, we would be able to address concerns Atmel has expressed with the perceived conditionality and complexity of our offer. Our preference is to engage in a productive dialogue with Atmel, and we are prepared to discuss all aspects of our proposal. *However, given the response of the Atmel Board, Microchip intends to take the offer directly to Atmel's shareholders by proposing an alternate slate of directors for Atmel's next shareholders meeting.*

54. Also on November 12, 2008, Atmel responded to the Bidders' announcement of their intent to nominate their own slate of directors for Atmel's board of directors. Atmel reiterated its position (as originally announced on October 29, 2008) that the Atmel Directors unanimously determined that the 52.4% premium Acquisition Proposal is inadequate, stating the Company is confident that Atmel stockholders will realize greater value through the continued execution of Atmel's Transformation Plan.

E. The Poison Pill Should Be Withdrawn

55. As written, the Poison Pill Amendment *changes the state of play for Atmel during the middle of what should be good faith negotiations between the companies*. The Poison Pill Amendment would accelerate the triggering of Atmel's Poison Pill by lowering the 20% ownership threshold to 10% and expanding the definition of beneficial owners to include derivatives for any person or group of person announcing a takeover attempt of the Company after October 1, 2008.

56. The Atmel Directors breached their fiduciary duties by refusing to negotiate with the Microchip and ON Semi in good faith and instead approving the Poison Pill Amendment on November 10, 2008, in direct response to the Acquisition Proposal receiving antitrust regulatory approval on November 7, 2008.

57. The timing of the Poison Pill Amendment demonstrates that the Atmel Directors are more concerned with entrenching themselves and maintaining Atmel's independence than they are with maximizing shareholder value.

58. The Poison Pill Amendment must be withdrawn, and the Poison Pill should be redeemed in its entirety, to allow Atmel's shareholders to make an unfettered decision whether to pursue the Acquisition Proposal or leave the Company in the hands of the existing management and Board.

CLASS ACTION ALLEGATIONS

59. Plaintiff brings this action pursuant to Rule 23 of the Rules of the Court of Chancery, individually and on behalf of all other holders of Atmel common stock (except defendants herein and any persons, firm, trust, corporation or other entity related to or affiliated with them and their successors in interest) who have been harmed as a result of the Defendants' conduct complained of herein and who are or will be threatened with

injury arising from defendants' wrongful actions, as more fully described herein (the "Class").

60. This action is properly maintainable as a class action.

61. The Class is so numerous that joinder of all members is impracticable. Plaintiffs believe there are thousands, if not hundreds of thousands, of beneficial holders of Atmel stock, including investors spread around the world.

62. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. The expense and burden of individual litigation make it impracticable for Class members individually to seek redress for the wrongful conduct alleged herein.

63. There are questions of law and fact which are common to the Class and which predominate over questions affecting any individual class member. The common questions include, *inter alia*, the following:

- a. Whether the Atmel Directors have fulfilled, and are capable of fulfilling, their fiduciary duties to Plaintiff and the other members of the Class, including their duties of loyalty, due care, and candor;
- b. Whether the Atmel Directors have engaged and are engaging in self-dealing in connection with the offer from Microchip and ON Semi for an acquisition transaction;
- c. Whether the Atmel Directors' refusal to consider and negotiate in good faith regarding the offer by Microchip and ON Semi to acquire Atmel is entirely fair to the members of the Class;
- d. Whether defensive measures, including the Poison Pill Amendment implemented by the Atmel Directors and designed to make an acquisition transaction more difficult or costly for a potential acquirer, were reasonable under the circumstances and/or fair to members of the Class;
- e. Whether Plaintiff and the other members of the Class would be irreparably damaged if the Atmel Directors are not (1) compelled to redeem the Poison Pill Amendment and (2) enjoined from taking

other unreasonable actions that are disproportionate to any cognizable threat that may be posed; and

- f. Whether the members of the Class have sustained damages as a result of the conduct complained of herein, and if so, the proper measure of damages.

64. Plaintiff anticipates that there will be no difficulty in the management of this litigation as a class action.

65. The Atmel Directors have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole. To the extent the Atmel Directors continue to maintain and/or adopt defensive measures to make an acquisition more difficult or costly to Microchip and ON Semi or any other potential acquirer, preliminary and final injunctive relief on behalf of the Class as a whole will be entirely appropriate.

66. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and Plaintiff has the same interests as the other members of the Class. Accordingly, Plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

67. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for defendants, or adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

CLAIMS FOR RELIEF

COUNT I

(Breach of Fiduciary Duty Against the Atmel Directors)

68. Plaintiff realleges each and every allegation above as if set forth in full herein.

69. The Atmel Directors owe Plaintiff and the Class the utmost fiduciary duties of due care, good faith, and loyalty. The Atmel Directors have failed to consider and respond in good faith to the acquisition offer by Microchip and ON Semi to the detriment of Atmel and its shareholders. Despite the failure of their business plan and declining stock value, the Atmel Directors have given no indication of intent to conduct any legitimate negotiations with Microchip and ON Semi.

70. The Atmel Directors also have a duty not to adopt, implement or maintain any defensive measures, such as the Poison Pill Amendment, designed to frustrate the acquisition of Atmel. They are obligated to refrain from entering into any agreements that would either harm the Company or its shareholders or inhibit their ability to maximize shareholder value.

71. Given the substantial premium offered by Microchip and ON Semi, there is no threat posed to Atmel or its shareholders by the Acquisition Proposal. Moreover, because the Atmel Directors have had sufficient time to explore alternative value-maximizing transactions, any legitimate purpose afforded the Company's Poison Pill has expired, thus requiring its redemption by the Atmel Directors.

72. As a result of the foregoing, the Atmel Directors have breached their fiduciary duties to Atmel and its shareholders, including the obligations of loyalty, good faith, fair dealing, and due care, causing harm to Plaintiff and the Class.

73. Plaintiff and the Class have no adequate remedy at law.

RELIEF REQUESTED

WHEREFORE, Plaintiff demands judgment as follows:

- (a) Declaring this action properly maintainable as a class action;
- (b) Declaring that the Atmel Directors' conduct in refusing to consider and respond in good faith to an offer to acquire Atmel was in breach of their fiduciary duties of loyalty, good faith, fair dealing, and due care;
- (c) Preliminarily and permanently enjoining the Atmel Directors from placing their own interests ahead of those of Atmel and its shareholders by refusing to consider and respond in good faith to acquisition offers that would maximize value to Atmel's shareholders;
- (d) Preliminarily and permanently enjoining the Atmel Directors from entering into, or causing Atmel to enter into, any contractual agreements that inhibit their ability to maximize shareholder value;
- (e) Preliminarily and permanently enjoining Defendants from initiating or maintaining any defensive measures which may effectively preclude the acquisition of the Company or are unreasonable and disproportionate to any cognizable threat posed by such potential acquisition;
- (f) Invalidating the Poison Pill Amendment;
- (g) Compelling the Atmel Directors to redeem the Poison Pill;
- (h) Awarding compensatory damages in favor of Plaintiff and the other members of the Class against the Atmel Directors for all damages sustained as a result of their violations of duty in an amount to be proven at trial, together with interest thereon;
- (i) Awarding Plaintiff the costs and disbursements of this action, including attorneys', accountants', and experts' fees; and

(j) Awarding such other and further relief as is just and equitable.

Dated: November 14, 2008

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