NANOPIERCE TECHNOLOGIES INC
Form S-2/A
May 03, 2004

As filed with the Securities and Exchange Commission on May 3, 2004

Registration No. 333-113071

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2

TO

FORM S-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NANOPIERCE TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

NEVADA	84-0992908
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

370 17TH STREET, SUITE 3640
DENVER, COLORADO 80202
(303) 592-1010

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

PAUL H. METZINGER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
NANOPIERCE TECHNOLOGIES, INC.
370 17TH STREET, SUITE 3640
DENVER, COLORADO
(303) 592-1010
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies sent to:
ROBERT J. AHRENHOLZ, ESQ.
JOSHUA M. KERSTEIN, ESQ.
KUTAK ROCK LLP
1801 CALIFORNIA STREET, SUITE 3100
DENVER, COLORADO 80202
(303) 297-2400

Approximate date of commencement of the proposed sale to the public: From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [x]

If the registrant elects to deliver its latest annual report to stockholders, or a complete and legal facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common stock, $.0001 par value per share	82,600,000	$ 0.48	$ 39,648,000	$ 5,023.40

NVOLATILE MEMORIES. A Read Only Memory, or "ROM" is programmed (written) once in the later stages of the manufacturing process and cannot be reprogrammed by the user. Programmable Read Only Memory, or "PROM" can be programmed once by the user, while Erasable "EPROM", or EPROM may be reprogrammed by the user a limited number of times if the EPROM is removed from the circuit board in the equipment. Both Flash memory and Electrically Erasable PROM, or "EEPROM" may be reprogrammed electrically by the user without removing the memory from the equipment. However, the reprogramming time on both EEPROM and Flash memory is excessively long compared to the read time such that in most systems the microprocessor must stop for a relatively long time to rewrite the memory. 22 COMBINATIONS. Many customers use a combination of volatile and nonvolatile memory functions to achieve the desired performance for their electronic systems. By using SRAMs in combination with EPROM and EEPROM chips, customers can achieve nonvolatility in their systems and still retain the high data read and write speeds associated with SRAM memories. This approach, however, is not desirable in many applications because of the size and cost disadvantages associated with using two or more chips to provide a single memory function. Also, it may take up to several seconds to transfer the data from the SRAM to the EEPROM; an excessive time at power loss. As a result, attempts have been made to combine nonvolatile and volatile memory features in a single package or silicon chip. One approach combines an SRAM with lithium batteries in a single package. Nonvolatile random access memories, or "NVRAMs" combine volatile and nonvolatile memory cells on a single chip and do not require a battery. We believe our nonvolatile semiconductor memory represents a significant advance over existing products that combine volatility and nonvolatility on a single silicon chip. We combine an SRAM memory cell with an EEPROM memory cell to create a small nonvolatile semiconductor memory cell. Our unique and patented memory cell design enables the nonvolatile semiconductor memory to be produced at densities higher than existing NVRAMs and at a lower cost per bit. In addition to high density and nonvolatility, the nonvolatile semiconductor memory has fast data access and program speeds and the SRAM portion of the memory can be modified an unlimited number of times without wearing out. MEMORY TECHNOLOGY We use an advanced implementation of silicon-nitride-oxide-semiconductor, or "SNOS" technology. SNOS technology stores electrical charge within an insulator, silicon nitride, and uses a thin tunnel oxide layer to separate the silicon nitride layer from the underlying silicon substrate. SNOS technology prevents tunnel oxide rupture in the memory cell from causing an immediate loss of data. Oxide rupture has been a major cause of failures in Flash and EEPROMs using floating gate technology, where charge is stored on a polysilicon conductor surrounded by insulators. To protect against these failures, many floating gate EEPROMs have required error correction circuitry and redundant memory cells. This increases product cost by requiring more silicon area. Error correction and redundancy are not required for our products to protect against tunnel oxide rupture. In addition, our product designs incorporate a special test feature which can predict data retention time for every individual memory cell based on measuring the rate of charge loss out of the silicon nitride. The SNOS technology coupled with our nonvolatile semiconductor memory cell allows high performance nonvolatile SRAMs to be manufactured using complementary metal oxide semiconductor, or "CMOS" technology. The SNOS technology that we use has proven to be highly reliable, as demonstrated by our product qualification results to date. MEMORY PRODUCTS Nonvolatile Static Random Access Memories. Our 256 kilobit, 64 kilobit, 16 kilobit and 4 kilobit nonvolatile semiconductor memory product families consist of nonvolatile memories that combine fast SRAM and nonvolatile EEPROM characteristics within each memory cell on a single chip of silicon. The SRAM portion of the nonvolatile semiconductor memories is operated in the same manner as most existing SRAM products. The SRAM can be written to and read from an unlimited number of times. The EEPROM can be programmed, depending upon device type, by user control or automatically by transferring the SRAM contents into the EEPROM. The EEPROM data can be transferred back into the SRAM by user control or the data can be transferred automatically. Our nonvolatile semiconductor memories have fast data access speeds of 20, 25, 35 and 45 nanoseconds. These data access speeds correspond to those of fast SRAMs and meet the requirements of much of the fast SRAM market. The high speed characteristics of our nonvolatile semiconductor memories allow them to be used in applications with various high performance microprocessors and digital signal processors such as those manufactured by Intel Corp., Texas Instruments and Motorola. Our nonvolatile semiconductor memories can be used to replace SRAMs with lithium batteries and multiple chip solutions such as SRAM plus EEPROM or Flash Memory. 23 The various combinations of density and speed allow our nonvolatile semiconductor memory products to meet the design and performance requirements of many different types of systems. We finalized commercial and industrial qualification of two versions of our initial 64 kilobit nonvolatile semiconductor memory product offering in September 1991 and April 1992, respectively. We completed military qualification of our initial nonvolatile semiconductor memories in May 1992. We began sales into the commercial market of our initial 16 kilobit nonvolatile semiconductor memory product family in 1992. The nonvolatile semiconductor memory product family also includes the 4 kilobit version. We completed the development and product qualification of the 64 kilobit AutoStoreTM nonvolatile semiconductor memory in 1993. The AutoStoreTM version automatically detects power loss and transfers the data from the SRAM cells into the EEPROM cells. This device does not require instructions or intervention from the system microprocessor to notify it of the power loss. Commercial and industrial qualification of our 256 kilobit nonvolatile semiconductor memory occurred in 1997 and military qualification of our 256 kilobit nonvolatile semiconductor memory was completed in the second quarter of 1998. PROGRAMMABLE LOGIC DEVICE INDUSTRY The electronics industry uses logic integrated circuits to route electrical signals to perform tasks unique to that system. These unique operations differentiate one system capability from another. Field Programmable Gate Arrays, or "FPGAs" and Complex Programmable Logic Devices, or "CPLDs" have become popular for this purpose, and are supplied by a number of major suppliers, such as Xilinx and Altera. These products provide high performance, flexible solutions, but the technology required to allow these products to be programmable is expensive when compared to non-programmable, fixed function, application specific products. Our programmed semiconductor logic products are not programmable, but provide a low-cost, high volume alternative to the programmable logic products. The nonprogrammable replacements use less silicon which reduces material cost and allows us to produce larger volumes. We entered this product segment through our acquisitions of Integrated Logic and Macrotech in 2000. PROGRAMMED SEMICONDUCTOR TECHNOLOGY We use standard logic wafer processing available from various subcontract fabrication facilities. We currently contract with United Memories for 0.5 micron technology and with Chartered for 0.35 micron technology, in each case through purchase orders on a case-by-case basis. We plan to migrate the technology to a 0.25 micron process as the market develops. By using the system designers' design files, our software conversion tools translate the design, which supports direct netlist conversion to create drop-in replacements at a fraction of the FPGA or CPLD cost. By the term "direct netlist" we mean description of the customers design and by the terms "drop in replacements" we mean package size, package type and functional equivalent device. We can support up to approximately 1 million logic gates plus dual port RAM. We also support full scan test without any area penalty with our integrated testability feature, which is nested within the existing logic cells, requiring no dedicated chip area. PROGRAMMED SEMICONDUCTOR LOGIC PRODUCTS Programmed semiconductor logic products are built to order based on customer designs that are electronically transferred to our design workstations. Our engineers then verify the design and implement it in the appropriate technology to provide the most cost effective solution available for the customer. PRODUCT WARRANTIES. We presently provide a one-year limited warranty on our products. RESEARCH AND DEVELOPMENT Many of our research and development activities are centered around developing new products and reducing the cost of our nonvolatile semiconductor memory products and the development and design of customer specific programmed 24 semiconductor logic products. We have reduced our costs by introducing our 0.8 micron process technology. This technology reduced the size of the 64 kilobit nonvolatile semiconductor memory chip and enabled us to develop a cost effective 256 kilobit nonvolatile semiconductor memory. We are continuing our efforts to improve yield on the 0.8 micron technology. In order to further reduce costs, we engaged Integra Technologies, now Amkor Test Services in the fourth quarter 1997 for testing of our products. We have a test floor used for evaluation of our technologies, product designs and product quality. The test floor is also used for production testing of silicon wafers. In an effort to expand our products, we acquired, from WebGear, incomplete research and development of technology that we intend to apply within the emerging Bluetooth market segment. "Bluetooth" is an industry standard, short range wireless communications technology designed to allow a variety of electronic devices, such as wireless telephone, Personal Digital Assistants, notebook computers, desktop computers, peripheral input-output devices, television set-top boxes and Internet appliances to exchange data without the use of physical cabling. We plan to spend approximately $750,000 over the next year in order to develop and manufacture integrated circuits using the technology in Bluetooth applications. We anticipate that our acquisition of Q-DOT will enable us to enter the high speed data communications market, addressing both wired and wireless applications, based on advanced Silicon Germanium process technology. Silicon Germanium (SiGe) is rapidly becoming the technology of choice for many analog, mixed signal and high speed digital circuits. We plan to spend approximately $350,000 over the next year in order to develop and manufacture integrated circuits using the SiGe process technology. Our research and development expenditures for the years ended December 31, 2000 and 1999 were $6,158,189 and $2,240,273, respectively. Of the $6,158,189 expenditure incurred in 2000, $3,962,646 was related to the incomplete research and development we purchased from WebGear with stock. We intend to continue expenditures on research and development; however, the percentage of research and development expenditures is expected to decrease relative to expenditures relating to the commercial production of our existing products. MANUFACTURING AND QUALITY CONTROL Our manufacturing strategy is to use subcontractors whose production capabilities meet the requirements of our product designs and technologies. In 1992, we entered into a manufacturing agreement with Chartered to provide us with silicon wafers for our products. Under the manufacturing agreement with Chartered, Chartered has installed a manufacturing process for versions of our current and future memory products. Finished wafer procurement reverted to Chartered during 1998 as we ceased purchasing finished units from ZMD. We used United Memories for wafer procurement of our 0.5 micron Programmed semiconductor logic products and Chartered for wafer procurement of our 0.35 micron Programmed semiconductor logic products. During 2000, all of our product revenue was based on wafers purchased from Chartered and United Memories. Device packaging of our nonvolatile semiconductor memory products continued at the Amkor facilities in the Philippines and South Korea. Final test for our nonvolatile semiconductor memory products was established successfully at Integra Technologies, now Amkor Test Services, in Wichita, Kansas. Device packaging of our programmed semiconductor logic products continued at Advanced Semiconductor Eng., Inc. in Taiwan. Final test of our programmed semiconductor logic products was completed in our Colorado Springs facility and at Multitech Design and Test in San Jose, California. Our subcontractors provide quality control for the manufacture of our products. We maintain our own quality assurance personnel and testing capability to assist the subcontractors with their quality programs and to perform periodic audits of the subcontractors' facilities and finished products to ensure product integrity. 25 Our quality and reliability programs were audited by several commercial and military customers during 2000 as part of routine supplier certification procedures. All such audits were completed satisfactorily. MARKETS Our memory products are targeted at fast nonvolatile SRAM markets, SRAM plus EEPROM markets and other nonvolatile memory products broadly used in commercial, industrial and military electronic systems. Our Programmed semiconductor logic products are built to customer requirements in many application areas. Therefore, we believe that our products will address very broad markets including these applications: Airborne and Space Computers * Lighting * Automotive Control & Monitoring Medical Instruments * Portable Telephone Modems Control Systems * Portable Computers Currency Changers Postal Meters Data Monitoring Equipment * Printers * Disk Drives * Process Control Equipment * Facsimile Machines * Radar and Sonar Systems * Gaming * Telecommunications Systems * GPS Navigational Systems Terminals * Guidance and Targeting Systems * Test Equipment * High Performance Workstations Utility Meters * Laser Printers * Vending Machines Mainframe Computers Weapon Control Systems * CD Writers Security Systems * Copiers * Broadcast Equipment * Cable TV Set Top Converter Boxes * Studio Recording Equipment * The applications marked with an asterisk currently use our products. The other applications use similar products, but may use our products in newer designs. We are increasing marketing and sales emphasis on office automation products such as copiers and mass storage systems as well as beginning new sales efforts in data communication applications. SALES AND DISTRIBUTION Our strategy is to generate sales through the use of independent sales representative agencies and distributors. We believe this strategy provides the fastest and most cost effective way to assemble a large and professional sales force. We currently have three sales and marketing offices, located in Colorado Springs, Colorado, Bristol, England and Atlanta, Georgia. We have engaged 17 independent representative organizations with 40 sales offices and 31 distributor organizations with 105 sales offices. Both organizations have multiple sales offices and sales personnel covering specific territories. Through these organizations and their sales offices we are capable of serving a worldwide market. Independent sales representatives typically sell a limited number of noncompeting products to semiconductor users in particular geographic assigned territories. Distributors inventory and sell products from a larger number of product lines to a broader customer base. These sales channels are complementary, as representatives and distributors often work together to consummate a sale, with the representative receiving a commission from us and the distributor earning a markup on the sale of the products. We supply sales materials to the sales representatives and distributors. 26 For our marketing activities, we evaluate external marketing surveys and forecasts and perform internal studies based, in part, on inputs from our independent sales representative agencies. We prepare brochures, data sheets and application notes on our products. CUSTOMERS AND BACKLOG We have shipped qualified nonvolatile semiconductor memory products to customers directly and through distributors since the September 1991 commercial product qualification; the majority of our customers are Fortune 500 companies. Approximately 40% of our net product sales during 2000 were to customers in the Pacific Rim and approximately 17% were to customers in Europe. The remaining product sales were to customers in North America. As of March 31, 2001, we had a backlog of unshipped customer orders of approximately $6,439,000, which is expected to be filled by September 30, 2001. Orders are cancelable without penalty at the option of the purchaser prior to 30 days before scheduled shipment and therefore are not necessarily a measure of future product revenue. During 2000, we continued to receive initial and scheduled production orders on our 64 kilobit and 256 kilobit nonvolatile semiconductor memory product. We believe that we will continue to receive volume production orders on these products. LICENSES PRODUCT AND TECHNOLOGY LICENSE SALES. We have sold product and technology licenses to Nippon, Plessey and ZMD. These licenses provided for unlimited use in perpetuity of the process technology and circuit designs required to manufacture nonvolatile memory integrated circuits using our technology. Since neither Nippon nor Plessey has used the licenses in any way since their initial sale in 1988 and 1991, respectively, we don't anticipate any future activity on the licenses with Nippon and Plessey. ZMD. In June of 1994, we signed a joint development agreement with ZMD to install the 1.2 micron products for manufacture at ZMD and to jointly develop the 0.8 micron technology at Chartered. The agreement was modified in August of 1994 by a Letter of Intent between us to bypass the installation of our nonvolatile semiconductor memory products based on a 1.2 micron process technology at ZMD and instead modify the 0.8 micron technology to run in the ZMD factory. ZMD has paid us all the monetary requirements under this agreement including any royalties we may receive from sales of these jointly developed products. CHARTERED. In September of 1992, we entered into a manufacturing agreement with Chartered which expired in September 1998. We continue to use Chartered to manufacture our silicon wafers on a purchase order basis without a long term contract. FUTURE LICENSE SALES. We intend to sell product and technology licenses on a selective basis. We will continue to seek licensing partners who can contribute to the development of the nonvolatile semiconductor memory market and provide a meaningful level of revenue to us while not posing an undue threat in the marketplace. COMPETITION Our products compete on the basis of several factors, including data access and programming speeds, density, data retention, reliability, testability, space savings, manufacturability, ease of use and price. Products that compete with our family of nonvolatile semiconductor memories fall into three categories. The first category of products that compete with our nonvolatile semiconductor memories are volatile and nonvolatile chips used in combination, such as fast SRAMs used with EPROMs, EEPROMs, or Flash memory. We believe that we have advantages over these applications because the nonvolatile semiconductor memory allows data to be stored in milliseconds as compared to seconds for chips used in pairs. Our single chip solution provides a space 27 savings and easier manufacturing. Our single chip solution generally provides increased reliability versus multiple chips. We believe it will be able to compete with many solutions requiring density up to 256 kilobits; however, in those instances where the density requirement is beyond 256 kilobits the nonvolatile semiconductor memory does not compete. New systems designs tend to use larger memory densities greater than 256 kilobits, reducing the market available to us. We estimate that less than 10% of the market uses 256 kilobit or smaller memories. Competitors in the multiple chip category include Cypress Semiconductor Corp., Integrated Technology, Inc., Toshiba, Fujitsu, Advanced Micro Devices, Inc., Atmel and National Semiconductor Corp. We currently hold less than 1% market share this market category. The second category of products that compete with our nonvolatile semiconductor memories are products that combine SRAMs with lithium batteries in specially adapted packages. These products generally are slower in access speeds than our nonvolatile semiconductor memories due in part to limitations caused by life of the lithium battery when coupled with a faster SRAM. Our nonvolatile semiconductor memories are offered in standard, smaller, less expensive packages, and do not have the limitation on lifetime imposed on the SRAM/battery solutions by the lithium battery. Our nonvolatile semiconductor memories can also be used for wave soldered automatic insertion circuit board assembly since they do not have the temperature limitations of lithium batteries. However, lithium battery-backed SRAM products are available in densities of 1 megabit and greater per package. Companies currently supplying products with lithium batteries include Dallas Semiconductor Corp., ST Microelectronics and Texas Instruments. We currently hold approximately 10% of this market category. The third category consists of NVRAMs that combine SRAM memory cells and EEPROM memory cells on a monolithic chip of silicon. Our current product offerings are of higher density, faster access times and we believe can be manufactured at lower costs per bit than NVRAMS. We believe that traditional manufactures of NVRAM's have discontinued manufacturing their products. ZMD, through their license agreement with us, has the worldwide right to sell under the ZMD label nonvolatile semiconductor memories developed jointly by ZMD and us. With volume production established at ZMD, ZMD is selling such nonvolatile semiconductor memories. This has had a positive impact for us by creating a second source, which is required by many larger companies, for our nonvolatile semiconductor memory products. However, in 2000, we were required to reduce prices to specific markets due to the increased competition from ZMD. We believe that the competition from ZMD has increased the number of companies using nonvolatile semiconductor memories, but may have put downward pressure on average selling prices. We are aware of other semiconductor technologies for nonvolatile memory products. These technologies include ferroelectric memory and thin film magnetic memory. Each of these requires a newly developed process technology which has processing risk, but may deliver performance characteristics superior to our technology if perfected. Each of these processes integrates materials into the silicon processing steps which are not commonly used for semiconductor memory products today. If successful, these products could perform the same functions in a system that our products currently perform, but may be manufactured in higher density or lower cost products. Ramtron, Raytheon, Symetrix, and others are developing ferroelectric products. Honeywell, Inc. is developing magnetic film products. Programmed semiconductor logic-type solutions are supported by semiconductor companies such as AMI Semiconductor, NEC and Temic. These competitors provide a wide variety of solutions using semiconductor processes ranging from 0.8 micron process technology to 0.25 micron process technology. The business of converting customers' programmable logic products to non-programmable logic products is highly dependent on the customers' designs and system performance requirements. Each competitor's process technology and software tools will affect its ability to support any particular requirement. PATENTS AND INTELLECTUAL PROPERTY We undertake to protect our product designs and technologies under the relevant intellectual property laws as well as by utilizing internal disclosure safeguards. Under our licensing programs, we exercise control over the use of our protected intellectual property and have not permitted our licensees to sublicense our nonvolatile semiconductor memory products or technology. 28 It is common in the semiconductor industry for companies to obtain copyright, trademark and patent protection of their intellectual property. We believe that patents are significant in our industry, and we are seeking to build a patent portfolio. We expect to enter into patent license and cross-license agreements with other companies. We have been issued twenty five patents in the United States on our nonvolatile semiconductor memory cell and other circuit designs. These patents relate to circuit implementations used to design our nonvolatile memory products. The use of these patents allows us to design circuits with lower power consumption and faster store timing than would be possible otherwise giving us a competitive advantage over other technologies. These patents have terms that expire through 2008 to 2013. We have also taken steps to obtain European patents in the large European countries, including Germany, France, the United Kingdom and Sweden on the nonvolatile memory patents that would have potential value in international markets. We have four applications that have been allowed and intend to prepare patent applications on additional circuit designs we have developed. However, as with many companies in the semiconductor industry, it may become necessary or desirable in the future for us to obtain licenses from others relating to our products. We have received federal registration of the term "Novcel" a term we use to describe our technology. We have not sought federal registration of any other trademarks, including "Simtek" and "QuantumTrapTM" or our logo. EMPLOYEES As of the date of this prospectus, we had 45 full-time employees. FACILITIES We lease approximately 12,000 square feet of space in Colorado Springs, Colorado. This space includes a product engineering test floor of approximately 2,350 square feet. The lease expires on December 31, 2001. During 2000, we signed a lease for a new location in Colorado Springs, Colorado for approximately 16,000 square feet of space that includes a product engineering test floor of approximately 3,000 square feet. The new lease agreement requires the new landlord to begin paying all costs related to the old location at the time we take occupancy at the new location. In March 2001, we moved into the new facility, located at 4250 Buckingham Drive #100, Colorado Springs, CO 80907. LEGAL PROCEEDINGS There were no legal proceedings against us as of the date of this report. MATTERS SUBMITTED TO A VOTE OF SECURITY HOLDERS On November 16, 2000, we had a special meeting of shareholders to ratify the selection of Hein + Associates, LLP as our independent auditors for the year ending December 31, 2000. The proposal was passed with the voting of 32,532,148 For, 97,355 Against, and 138,458 Abstained. 29 MANAGEMENT DIRECTORS AND EXECUTIVE OFFICERS Our directors and executive officers are as follows: Name Age Position ---- --- -------- Douglas M. Mitchell.............................. 51 Director, Chief Executive Officer and President, Chief Financial Officer (acting) Klaus C. Wiemer.................................. 63 Director Robert H. Keeley................................ 59 Director John Heightley.................................. 64 Director DOUGLAS M. MITCHELL, served as our Chief Operating Officer from July 1, 1997 until January 1, 1998 at which time he became Chief Executive Officer, President and a director. Mr. Mitchell has over 20 years of experience in the semiconductor and electronics systems industry holding various marketing and sales management positions. Prior to joining us, he was President and Chief Executive Officer of a wireless communications company, Momentum Microsystems. Prior to this Mr. Mitchell was Vice President of Marketing with SGS-Thomson Microelectronics, responsible for marketing and applications engineering of Digital Signal Processing, transputer, microcontroller and graphics products in North America. SGS-Thomson had acquired Inmos Corporation where Mr. Mitchell had been Manager, US Marketing and Sales. Mr. Mitchell has held management positions at Texas Instruments and Motorola and has been responsible for various product definition and product development. Mr. Mitchell holds a Bachelors degree in electrical engineering from the University of Texas and a Masters of Business Administration degree from National University. KLAUS C. WIEMER, has served as a director since May 1993. He also serves on the boards of Neomagic Corp (NMGC) of Santa Clara, CA and InterFET Corp of Garland, TX. From July 1993 to May 1994, Dr. Wiemer served as President and Chief Executive Officer of our company. Since May 1994, Dr. Wiemer has been an independent consultant. From April 1991 to April 1993, Dr. Wiemer was President and Chief Executive Officer of Chartered , and from July 1987 to March 1991, Dr. Wiemer was President and Chief Operating Officer of Taiwan Semiconductor Manufacturing Company. Prior to 1987, Dr. Wiemer was a consultant for the Thomas Group specializing in the area of integrated circuit manufacturing and previously worked for fifteen years with Texas Instruments. Dr. Wiemer holds a Bachelors degree in physics from Texas Western College, a Masters degree in physics from the University of Texas and a Ph.D. in physics from Virginia Polytechnic Institute. ROBERT H. KEELEY, has served as a director since May 1993. He is currently the El Pomar Professor of Business Finance at the University of Colorado at Colorado Springs. From 1986 until he joined the faculty at the University of Colorado at Colorado Springs in 1992, Dr. Keeley was a professor in the Department of Industrial Engineering and Engineering Management at Stanford University. Prior to joining Stanford, he was a general partner of Hill and Carmen (formerly Hill, Keeley and Kirby), a venture capital firm. Dr. Keeley holds a Bachelors degree in electrical engineering from Stanford University, an M.B.A. from Harvard University and a Ph.D. in business administration from Stanford University. Dr. Keeley is also a director of Analytical Surveys, Inc. and a number of private companies. JOHN HEIGHTLEY, was appointed as a director in September 1998. Mr. Heightley is currently executive vice president and chief technology officer for United Memories of Colorado Springs. From 1990 to 1996, Mr. Heightley was president and chief executive officer of Adaptive Solutions, Inc. In 1986 and 1987, he held the position of president and chief executive officer of Gigabit Logic, Inc.; in 1987 he was appointed chairman of Gigabit along with his responsibilities as president and chief executive officer. Mr. Heightley held these positions until 1990. Prior to Gigabit, Mr. Heightley served as president and chief executive officer of Ramtron Corporation from 1985 to 1986 and from 1978 to 1985 he served as a member of the board of directors, president, chief 30 operating officer and vice president of memory products for Inmos International, plc. Mr. Heightley was granted a B.S. degree in Engineering Science from Penn State University and earned a M.S. degree in Electrical Engineering from M.I.T. Mr. Harold Blomquist resigned as a member of our board of directors on June 28, 2001. We will fill the vacancy on our board in accordance with our bylaws. Subject to the requirement that the board of directors be classified if it consists of six or more persons, directors serve until the next annual meeting or until their successors are elected and have qualified. Officers serve at the discretion of the board of directors. Vacancies on the board of directors are filled by the existing directors. Under and subject to compliance with, agreements entered into with ZMD, ZMD has the right to appoint two members to the board of directors. ZMD has a competitive position to us in the marketplace and at this time has no representation on our board of directors. All conditions of the ZMD agreement are defined the Product License Development and Support Agreement and the Cooperation Agreement between Simtek Corporation and ZMD. SPECIAL PROVISIONS IN ARTICLES OF INCORPORATION Our articles of incorporation contain a provision limiting the liability of directors to the fullest extent permitted under the Colorado Corporation Code (the "Code"). The Code allows a corporation to limit the personal liability of a director to the corporation or its shareholders for monetary damages for breaches of fiduciary duty as a director except for (1) breaches of the director's duty of loyalty, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (3) specific other acts specified in the Code, and (4) transactions from which the director derived an improper benefit. The provisions of the Code will not impair our ability to seek injunctive relief for breaches of fiduciary duty. Such relief, however, may not always be available as a practical matter. Our articles of incorporation also contain a provision that requires us to indemnify, to the fullest extent permitted under the Code, directors and officers against all costs and expenses reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative, investigative or other, in which such person may be involved by virtue of being or having been a director, officer or employee. Insofar as indemnification for liabilities arising under the securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of Simtek pursuant to the foregoing provisions, or otherwise, Simtek has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. 31 EXECUTIVE COMPENSATION The following table sets forth specific information for each of our last three fiscal years with respect to the annual and long-term compensation of the only individual acting as the Chief Executive Officer during the fiscal year ended December 31, 2000. No other executive officers as of December 31, 2000 had combined annual salary and bonus for the fiscal year ended December 31, 1998 that exceeded $100,000. Summary Compensation Table Long Term Compensation ----------------------------- Annual Compensation Awards Payouts -- Name Other Restricted and Annual Stock LTIP All Other Principal Compen- Award(s) Options/ Payouts Compen- Position Year Salary($) Bonus($) sation($) ($) SARs(#) ($) sation($) --------- --- Douglas M. Mitchell(1) 2000 $150,000 $62,500 -- -- 40,000 -- -- Chief Executive Officer 1999 $120,000 -- -- -- 30,000 -- -- and President 1998 $120,000 -- -- -- 250,000 -- -- (1) Mr. Mitchell became our Chief Executive Officer and President on January 1, 1998. OPTION GRANT TABLE The following table sets forth specific information with respect to options granted by us during the fiscal year ended December 31, 2000 to the individual named in the summary compensation table above. Shares Potential subject to Market Realizable Value Options/SAR's Price at Assumed Shares Granted to Exercise per Annual Rate of subject to Employees Price Share on Stock Price Options/SAR's in Fiscal Per Date of Expiration Appreciation for Name Granted % of Total Share Grant Date Option Term --- 5% 10%-QSO QPRP ---------------------- 5% 10% ---------------------- Douglas M. Mitchell 40,000(1) 4.1% $0.25 $0.25 1/14/2007 $4,071 $9,487 (1) 40,000 options were granted to Mr. Mitchell in his capacity as Chief Executive Officer and

President, these options vest at 1/36th per month over 3 years. 32 YEAR-END OPTION TABLE The following table sets forth as of December 31, 2000 the number of shares subject to unexercised options held by the individual named in the summary compensation table above. 550,000 options had an exercise price greater than the last sale price of our common stock underlying the options as reported by the OTC Electronic Bulletin Board on the last trading day of the fiscal year ended December 31, 2000. Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values Value of Unexercised Number of Unexercised in-the-money Options/SARs at Fiscal Options/SARs Shares Value Year-End at Fiscal Year-End Acquired on Realized Exercisable Unexercisable Exercisable Unexercisable Name Exercise (#) ($) (#) (#) ($) ($) -- Douglas M. Mitchell 100,000 $198,952 541,389 78,611 $10,111 $14,389 EMPLOYMENT AGREEMENTS Mr. Mitchell is employed as President and Chief Executive Officer pursuant to an employment agreement with us. Under the terms of the employment agreement, Mr. Mitchell receives and annual salary of $150,000 and such additional benefits that are generally provided other employees. Mr. Mitchell's employment agreement expires June 1, 2001 but is automatically renewed for successive one-year terms unless we or Mr. Mitchell elects not to renew. If we terminate the employment of Mr. Mitchell without cause, Mr. Mitchell is entitled to continuation of his base salary and benefits, mitigated by income Mr. Mitchell may earn, for the remainder of the term of the agreement. Mr. Mitchell is subject to a noncompetition covenant for a period of one year from the date of termination. CONFIDENTIALITY AND NONDISCLOSURE AGREEMENTS We generally require our employees to execute confidentiality and nondisclosure agreements upon the commencement of employment with us. The agreements generally provide that all inventions or discoveries by the employee related to our business and all confidential information developed or made known to the employee during the term of employment shall be the exclusive property of us and shall not be disclosed to third parties without the prior approval of us. DIRECTORS' COMPENSATION Each director who is not also an employee receives $1,000 for each meeting of the Board, attended in person, and $500 for each meeting of a committee of the Board. Directors are also reimbursed for their reasonable out-of-pocket expenses incurred in connection with their duties to us. During the fiscal year ended December 31, 2000, 15,000 stock options were granted, at the market price on date of grant, each to Dr. Klaus Wiemer , Dr. Robert Keeley, Mr. Harold Blomquist and Mr. John Heightley. SECURITY OWNERSHIP The first table below sets forth specific information regarding ownership of our common stock as of June 21, 2001, by each person who is known by us to beneficially own more than five percent of our common stock, by each director, by each executive officer named in the summary compensation table and by all directors and executive officers as a group. Shares issuable within sixty days upon the exercise of options are deemed outstanding for the purpose of computing the percentage ownership of persons beneficially owning such options or holding such notes but are not deemed outstanding for the purpose of computing the 33 percentage ownership of any other person. To the best of our knowledge, the persons listed below have sole voting and investment power with respect to the shares indicated as owned by them subject to community property laws where applicable and the information contained in the notes to the table. Number of Percentage Name and Address of Beneficial Owner Shares Owned of Class ---------------------------------- ------------ --------- Hugh Norman Chapman 3,061,111(1) 5.70% 4785 Rustler Ct. Colorado Springs, CO 80918 Douglas M. Mitchell 618,553(2) 1.14% 205 Ridge Dr. Woodland Park, CO 80863 Klaus C. Wiemer 120,000(3) * 5705 Archer Court Dallas, TX 75252 Robert H. Keeley 95,000(4) * 12630 Milan Road Colorado Springs, CO 80908 John D. Heightley 55,000(5) * 1275 Log Hollow Point Colorado Springs, CO 80906 All officers and directors as a group 918,553(6) 1.63% (5 persons) * Less than one percent. (1) Represents 3,000,000 shares of our common stock that Mr. Chapman received upon our acquiring Integrated Logic and represents 61,111 shares issuable upon exercise of options. (2) Represents 574,167 shares issuable upon exercise of options and 44,386 shares acquired from the Q-DOT acquisition. (3) Represents 120,000 shares issuable upon exercise of options. (4) Includes 95,000 shares issuable upon exercise of options. (5) Represents 55,000 shares issuable upon exercise of options. (6) Includes 874,167 shares issuable upon exercise of stock options. 34 SELLING SHAREHOLDERS The following table sets forth information about our selling shareholders. Percentage Number of of Class Shares Number of Following Number of Following Name and Address of Selling Shareholders Shares Owned the Offering Shares Offered the Offering -- ------------ ------------ --------------- ------------ Mr. William B. Bliss 1,136,581 2.12% 397,804 738,777 2985 Broadmoor Valley Road Colorado Springs, CO 80906 Mr. Thomas K. Bohley 17,663 * 6,183 11,480 P. O. Box 7345 Colorado Springs, CO 80933-7345 Mr. Bruce B. Brundage 53,871 * 18,855 35,016 7837 S. Perry Park Rd. Larkspur, CO 80118 Ms. Mary F. Crockett 1,767 * 619 1,148 1402 Lorraine Street Colorado Springs, CO 80906-2146 Mr. Russell Farmer 51,451 * 18,008 33,443 15098 Zuni Street Broomfield, CO 80020 Mr. Morgan L. Fitch, Jr. 583,746 1.09% 204,312 379,434 4640 Clausen Western Springs, IL 60558 Mr. Steven R. Freeman 12,364 * 4,328 8,036 2241 S. Huran Pkwy., #4 Ann Arbor, MI 48104 Mr. David A Gradl 226,663 * 79,333 147,330 1308 Pickwick Court Naperville, IL 60563 Mr. Michael E. Harrell 1,767 * 619 1,148 2263 Havenridge Dr. Colorado Springs, CO 80920 Mr. Donald L. Herman, Jr. 33,771 * 11,820 21,951 435 Maverick Way Monument, CO 80132 Dr. Robert J. Kansy 33,771 * 11,820 21,951 5509 Harbor Town Dr. Dallas, TX 75287 35 Mr. James H. Lauffenberger 17,663 * 6,183 11,480 6427 Rifle Circle Colorado Springs, CO 80919 Ms. Barbara S. Linnenbrink 489,287 * 171,251 318,036 475 Silver Saddle Monument, CO 80132 Mr. Thomas E. Linnenbrink 894,128 1.67% 312,945 581,183 5985 Nora Point, #202 Colorado Springs, CO 80919 Mr. Douglas M. Mitchell 44,386 * 15,536 28,850 205 Ridge Rd. Woodland Park, CO 80863 Mr. Marc A. Morin 1,961 * 687 1,274 161 W. Ridge Dr. Woodland Park, CO 80863 Dr. Margaret S. Mortz 35,325 * 12,364 22,961 3420 S. Ridgeview Drive Spokane, WA 99206-9556 Mr. James J. Myrick 408,057 * 142,820 265,237 748 Greenwood Ave. Glencoe, IL 60022 Mr. Timothy G. O'Shaughnessy 884 * 310 574 12415 Latigo Blvd. Elbert, CO 80106 Dr. David E. Reed 17,663 * 6,183 11,480 9747 W. 99th Place Westminister, CO 80021 Mr. J. Ray Rice 2,208 * 773 1,435 7555 Wildridge Rd. Colorado Springs, CO 80908 Dr. Peter C. T. Roberts 17,663 * 6,183 11,480 639 N. Sunway Drive Gilbert, AZ 85233 Mr. William J. Schneweis 884 * 310 574 22 Pinon Lake Dr. Divide, CO 80814 Mr. Brian L. Sperry 33,789 * 11,827 21,962 2877 Loma Place Boulder, CO 80301 Mr. Alan Steiner 53,871 * 18,855 35,016 19410 Glen Cannon Way Monument, CO 80132 36 Alan B. and Barbara W. Steiner Trust 52,988 * 18,546 34,442 19410 Glen Cannon Way Monument, CO 80132 (Alan B. Steiner, trustee) Patlaw Trust 910,466 1.69% 318,664 591,802 c/o Jerry Prokaski, Bob Fox, Ken Samples 120 S. LaSalle Street, Suite 1600 Chicago, IL 60603 (Robert J. Fox, trustee) Dr. Mark V. Wadsworth 17,663 * 6,183 11,480 520 Manzanita Ave. Sierra Madre, CA 91024 Ms. Diane R. Williams 17,663 * 6,183 11,480 3740 Saints Ct. Colorado Springs, CO 80904 Mr. Ronald J. Wood 1,767 * 619 1,148 11420 Salem Ct. Peyton, CO 80831 * Less than 1 percent The selling security holders received as part of our merger with Q-DOT the shares of Simtek common stock that we are registering. Under the merger agreement, Q-DOT merged with and into us and Q-DOT, Inc., by virtue of the merger, became a wholly owned subsidiary of us. Although duly notified of their appraisal rights, no Q-DOT stockholders exercised appraisal rights. Q-DOT's 30 stockholders received, on a pro rata basis, a total of 1,810,123 shares of our common stock. The transaction was valued at $4 million. The transaction closed on or about March 14, 2001, on which date we had received all consideration for our common stock. The transaction was a private placement exempt from registration pursuant to Rule 506 of Regulation D promulgated by the SEC. There were fewer than 35 purchasers of our securities, of whom 12 were accredited investors. We provided each purchaser with the information required under Regulation D. We reasonably believed that each purchaser, either alone or with a purchaser representative, was capable of evaluating the risks and merits of investing in Simtek stock. To the best of our knowledge, no general solicitation or advertising occurred. Following the merger, we filed a Form D with the SEC as required by Regulation D. Mr. Douglas Mitchell, our Chief Executive Officer, President, Chief Financial Officer (acting), and one of our directors, served as a director and stockholder of Q-DOT immediately prior to the merger. Mr. Mitchell owned 44,386 shares of our common stock (excluding stock options) on the date of this prospectus and, following the offering and sale of 15,536 shares, he will own 28,850 shares, or less than 1% of our common stock. SPECIFIC RELATIONSHIPS AND RELATED TRANSACTIONS Our president and director, Douglas Mitchell was also a director of Q-DOT prior to our acquisition of Q- DOT. Mr. Mitchell disclosed all material facts as to his conflict of interest in the acquisition. The board of directors determined that the acquisition was fair to us and in our best interest. Mr. Mitchell abstained from the vote of the Q- DOT and Simtek board of directors decision to approve the acquisition. At the time of acquisition, Mr. Mitchell owned approximately 1% of the Q-DOT shares and he received 44,386 shares of our common stock in connection with our acquisition of Q-DOT, pro rata with the terms that all of the other Q-DOT shareholders'. 37 DESCRIPTION OF SECURITIES COMMON STOCK We are authorized to issue 80,000,000 shares of common stock, par value $0.01 per share. Each share of common stock entitles the holder thereof to one vote on all matters submitted to a vote of the shareholders. Holders of common stock do not have preemptive rights or rights to convert their common stock into other securities. Holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, holders of the common stock have the right to a ratable portion of the assets remaining after payment of liabilities. PREFERRED STOCK Our Articles of Incorporation authorize 2,000,000 shares of $1.00 par value preferred stock. The board of directors has the authority to issue preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series and the designation of such series, without further vote or action by the shareholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the shareholders and may adversely affect the voting power and other rights of the holders of common stock, including the loss of voting control to others. As of the date of this prospectus, there are not shares of preferred stock outstanding. PLAN OF DISTRIBUTION These shares are being offered hereby for sale by twenty nine of our shareholders who received these shares in a unregistered transaction. These shares will be offered by the selling shareholders from time to time (i) on the over- the-counter market, where the common stock is traded, or elsewhere, at fixed prices which may be changed, at market prices prevailing at the time of offer and sale, at prices related to such prevailing market prices or at negotiated prices and (ii) in negotiated transactions, through the writing of options on the shares, or a combination of such methods of sale. The selling shareholders may effect such transactions by offering and selling the shares directly or to or through securities broker-dealers, and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling shareholders and/or the purchasers of the shares for whom such broker-dealers may act as agent or to whom the selling shareholders may sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customer commissions). The selling shareholders and any broker-dealers who are in connection with the sale of the shares hereunder may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received by them and profit on any resale of the shares as principal might be deemed to be underwriting discounts and commissions under the Securities Act. We have advised the selling shareholders that they and any securities broker-dealers or others who may be deemed to be statutory underwriters will be subject to the prospectus deliver requirements under the Securities Act. We have also advised the selling shareholders that in the event of a "distribution" of shares, any "affiliated purchasers," and any broker-dealer or other person who participates in such distribution may be subject to Regulation M under the Exchange Act until his or its participation in that distribution is completed. A "distribution" is defined in Rule 101 of Regulation M as an offering of securities "that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods." Regulation M makes it unlawful for any person who is participating in a distribution to bid for or purchase stock of the same class as is the subject of the distribution. LEGAL MATTERS The validity of the shares offered hereby will be passed by Holme Roberts & Owen LLP, Denver, Colorado. 38 EXPERTS The financial statements of Simtek Corporation as of December 31, 2000 and for the years ended December 31, 2000 and December 31, 1999 included within this Prospectus have been so included in reliance on the report of Hein + Associates, LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting. 39 AVAILABLE INFORMATION We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, we file reports, proxy statements and other information with the Securities and Exchange Commission. You may inspect our reports, proxy statements and other information without charge at the public reference facilities of the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, NY 10048. You may also obtain copies there at the prescribed rates. You may obtain information on the operation of the Commission's public reference facilities by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. We have filed with the Commission, a registration statement on Form SB-2 under the Securities Act of 1933, as amended (the"Securities Act"), with respect to the common stock we are offering (the "registration statement"). This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information about us and the common stock offered, you should refer to the registration statement, including the exhibits and schedules thereto, which may be inspected at, and copies thereof may be obtained at prescribed rates from, the public reference facilities of the Commission at the addresses set forth above. 40 SIMTEK CORPORATION INDEX TO FINANCIAL STATEMENTS PAGE

 F-1 INDEPENDENT AUDITOR'S REPORT Board of Directors and Shareholders Simtek Corporation Colorado Springs, Colorado We have audited the accompanying consolidated balance sheet of Simtek Corporation and subsidiary as of December 31, 2000 and the related statements of operations, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simtek Corporation as of December 31, 2000, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with general accepted accounting principles. /s/ Hein + Associates LLP HEIN + ASSOCIATES LLP Denver, Colorado February 5, 2001, except for restatements as a result of the pooling of interests of Q-DOT, Inc. as described in Note 2, for which the date is March 13, 2001 F-2 SIMTEK CORPORATION CONSOLIDATED BALANCE SHEET DECEMBER 31, 2000 ASSETS ------ CURRENT ASSETS: Cash and cash equivalents $ 2,853,769 Certificate of deposit, restricted 300,000 Accounts receivable - trade, net of allowance for doubtful accounts and return allowances of $177,098 1,775,864 Inventory 1,130,629 Prepaid expenses and other 906,388 ------------ Total current assets 6,966,650 EQUIPMENT AND FURNITURE, net 888,296 OTHER ASSETS 163,472 ------------ TOTAL ASSETS $ 8,018,418 ============ LIABILITIES AND SHAREHOLDERS' EQUITY CURRENT LIABILITIES: Accounts payable $ 1,085,370 Accrued expenses 532,964 Accrued wages 302,097 Accrued vacation payable 103,476 Line of credit 84,050 Current portion of notes payable 34,809 Obligation under capital leases 47,344 ------------ Total current liabilities 2,190,110 NOTES PAYABLE 20,000 OBLIGATIONS UNDER CAPITAL LEASES, NET OF CURRENT PORTION 153,670 ------------ Total liabilities 2,363,780 COMMITMENTS (Note 6) SHAREHOLDERS' EQUITY: Preferred stock, $1.00 par value; 2,000,000 shares authorized, none issued - Common stock, $.01 par value; 80,000,000 shares authorized, 53,634,245 shares issued and outstanding 536,342 Additional paid-in capital 37,497,590 Accumulated deficit (32,379,294) ------------ Total shareholders' equity 5,654,638 ------------ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY $ 8,018,418 ============ See accompanying notes to these consolidated financial statements. F-3 SIMTEK CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, --------------------------------- 2000 1999 ------------ -------------- NET SALES $14,467,814 $11,168,624 Cost of sales 8,423,529 6,172,643 ----------- ----------- GROSS MARGIN 6,044,285 4,995,981 OPERATING EXPENSES: Research and development costs 6,158,189 2,240,273 Sales and marketing 1,170,305 918,642 General and administrative 2,152,593 1,793,424 ----------- ----------- Total operating expenses 9,481,087 4,952,339 ----------- ----------- INCOME (LOSS) FROM OPERATIONS (3,436,802) 43,642 ----------- ----------- OTHER INCOME (EXPENSE): Interest income 165,736 96,942 Interest expense (77,234) (172,424) Equity in losses of QDA and write off of related advances (194,662) (52,514) Other income (expense) 2,620 (6,172) ----------- ----------- Total other income (expense) (103,540) (134,168) ----------- ----------- NET LOSS BEFORE PROVISION FOR INCOME TAXES $(3,540,342) $ (90,526) ----------- ----------- Provision for income taxes - 32,400 ----------- ----------- NET LOSS $(3,540,342) $ (122,926) =========== =========== NET LOSS PER COMMON SHARE: Basic and diluted EPS $ (.07) $ * =========== =========== WEIGHTED AVERAGE COMMON SHARE OUTSTANDING: Basic and diluted EPS 48,337,167 38,345,697 =========== =========== ---------------------

*Less than $.01 per share. See accompanying notes to these consolidated financial statements. F-4 SIMTEK CORPORATION CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999 Common Stock Additional Total --------------------------- Paid-in Accumulated Shareholders' Shares Amount Capital Deficit Equity ---------- ------------ ----------- ------------ ------------ BALANCES, January 1, 1999 38,166,957 $381,669 $30,349,288 $(28,579,097) $ 2,151,860 Contributions - - 202,752 - 202,752 Exercise of stock options 210,000 2,100 32,166 - 34,266 Sale of common stock - - 23,145 - 23,145 Stock issued for directors fees - - 14,499 - 14,499 Net loss - - - (122,926) (122,926) ---------- -------- ---------- ----------- ----------- BALANCES, December 31, 1999 38,376,957 383,769 30,621,850 (28,702,023) 2,303,596 ---------- -------- ----------- ----------- ----------- Exercise of stock options 1,863,016 18,630 278,437 - 297,067 Webgear purchase 4,150,000 41,500 4,046,146 - 4,087,646 Conversion of debt 8,244,272 82,443 1,488,959 - 1,571,402 Stock issuance for services 1,000,000 10,000 1,021,200 - 1,031,200 Contributions - - 16,103 - 16,103 Sale of common stock - - 1,963 - 1,963 Stock issued for directors fees - - 6,734 - 6,734 Stock issued for compensation - - 16,198 - 16,198 Adjustment for net income during the three month period ended March 31, 2000 (Note 2) - - - (136,929) (136,929) Net loss - - - (3,540,342) (3,540,342) ---------- -------- ----------- ------------ ----------- BALANCES, December 31, 2000 53,634,245 $536,342 $37,497,590 $(32,379,294) $ 5,654,638 ========== ======== =========== ============ =========== See accompanying notes to these consolidated financial statements. F-5 SIMTEK CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, ------------------------- 2000 1999 ------------ ----------- CASH FLOWS FROM OPERATING ACTIVITIES: Net loss $(3,540,342) $ (122,926) Adjustments to reconcile net income to net cash from operating activities: Depreciation and amortization 430,962 391,718 Stock issuance for services 22,932 14,499 Webgear purchase of incomplete research and development 3,962,645 - Contributed service - 70,000 Unrealized gain of securities - 6,930 Net change in allowance accounts 196,407 (90,936) Deferred financing fees 1,865 11,191 Deferred income taxes - 29,800 Changes in assets and liabilities: (Increase) decrease in: Accounts receivable (152,364) (174,429) Inventory (85,270) (48,930) Investments - 13,146 Prepaid expenses and other 174,311 38,860 Increase (Decrease) in: Accounts payable (39,689) 342,754 Accrued expenses 44,371 (179,291) Customer deposits (53,010) 51,850 ---------- ---------- Net cash provided by operating activities 962,818 354,236 ---------- ---------- CASH FLOWS FROM INVESTING ACTIVITIES: Purchase/Sales of equipment and furniture, net (381,165) (317,625) Decrease (increase) in certificate of deposit, restricted 100,000 (300,000) Advances to equity investment 14,606 (3,425) ---------- ---------- Net cash used in investing activities (266,559) (621,050) ---------- ---------- CASH FLOWS FROM FINANCING ACTIVITIES: Payments on capital lease obligation (40,644) (13,914) Borrowings from line-of-credit and the issuance of a note 908,231 1,715,769 Payments on lines of credit (1,133,000) (1,698,538) Payments on notes payable (136,135) (124,610) Exercise of stock options 297,067 34,266 Sale of common stock 1,963 23,145 Contributions 16,103 132,752 ---------- ---------- Net cash provided by (used in) financing activities (86,415) 68,870 ---------- ---------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 609,844 (197,944) See accompanying notes to these consolidated financial statements. F-6 SIMTEK CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.) CASH AND CASH EQUIVALENTS, beginning of year 2,243,925 2,385,602 ---------- ---------- CASH AND CASH EQUIVALENTS, end of year $2,853,769 $2,187,658 ========== ========== SUPPLEMENTAL CASH FLOW INFORMATION: Cash paid for interest $ 77,435 $ 172,424 ========== ========== Cash paid (refund of) for income taxes $ 14,200 $ (8,480) ========== ========== NONCASH INVESTING AND FINANCING TRANSACTIONS: Conversion of debenture into shares of common stock, net of deferred Financing costs related to debenture $1,441,249 $ - ========== ========== Conversion of payable to ZMD into shares of common stock $ 130,153 $ - ========== ========== Purchase of equipment through payables and capital leases $ - $ 255,573 ========== ========== Issuance of stock for prepaid services $ 730,434 $ - ========== ========== Issuance of stock for patents and trademarks $ 118,750 $ - ========== ========== See accompanying notes to these consolidated financial statements. F-7 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES: -- NATURE OF BUSINESS OPERATIONS - Simtek Corporation (the "Company") designs, develops, markets and subcontracts the production of high performance nonvolatile semiconductor memories and programmed semiconductor logic products. The Company's operations have concentrated on the design and development of the 256 kilobit, 64 kilobit, and 16 kilobit nonvolatile semiconductor memory product families and associated products and technologies as well as the development of sources of supply and distribution channels. The Company also provides electronics engineering research and development contracts. CONSOLIDATION POLICY - The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Q-DOT. The Company holds 1% interest in Q-DOT Acoustics, LLC (QDA) but has effective control over it due to an operating agreement which gives the Company control of all operational decisions. In addition, all losses of QDA are allocated to the company and net profits are allocated first to the Company to the extent of any previous allocations of losses. Any additional profits of QDA are allocated prorata based on percentage of ownership. The other major shareholders of QDA are minor shareholders of the Company. QDA is accounted for by the equity method of accounting. REVENUE RECOGNITION SEMICONDUCTOR PRODUCTS - Product sales revenue is recognized when a valid purchase order has been received and the products are shipped to customers, including distributors. Customers receive a one-year product warranty and sales to distributors are subject to a limited product exchange program and product pricing protection in the event of changes in the Company's product price. The Company provides a reserve for possible product returns, price changes and warranty costs at the time the sale is recognized. REVENUE RECOGNITION GOVERNMENT CONTRACTS - Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned. Revenues from fixed-price contracts are recognized on the percentage-of-completion method. The percentage-of-completion is measured by the total costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contacts. Because of inherent uncertainties in estimating costs, it is reasonably possible that the estimates used will change within the near term. CONTRACT REVENUES AND RELATED COSTS - Substantially all of Q-DOT revenues result from contract services performed for the various agencies of United States Government (the "Government") under a variety of contracts and subcontracts, some of which provide for reimbursement of costs-plus-fees, and others which are fixed-price. The majority of the contracts are for services performed in Colorado. For some services rendered on Government contracts which the time between providing the services and the final cash realization from the sale of such services may extend two or more years. Costs on contracts with the government (including allocable indirect costs) are subject to audit and adjustment by negotiations between the Company and Government representatives. Costs submitted for reimbursement are subject to Government audits for compliance with government costs accounting F-8 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS standards, federal acquisitions regulations and other contract terms. Negotiations for all of the years through March 31, 1997 have been completed without any material adjustments. Management does not believe the results of the March 31, 1998, March 31, 1999, March 31, 2000 and December 31, 2000 Government audits and subsequent negotiations will have a material effect on the accompanying financial statements. Direct costs of contracts include all direct labor, supplies, and equipment costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. At the time a loss on a contract becomes known, the entire amount of the estimated loss on both short and long-term contracts is accrued. CASH AND CASH EQUIVALENTS - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2000, substantially all of the Company's cash and cash equivalents were held by a single bank, of which approximately $2,894,630 was in excess of Federally insured amounts. INVENTORY - The Company records inventory using the lower of cost (first-in, first-out) or market. Inventory at December 31, 2000 includes: Raw materials $ 177,947 Work in process 872,948 Finished goods 176,398 ---------- 1,227,293 Less reserves (96,664) ---------- $1,130,629 ========== DEPRECIATION - Equipment and furniture are recorded at cost. Depreciation is provided over the assets' estimated useful lives of three to seven years using the straight-line and accelerated methods. The cost and accumulated depreciation of furniture and equipment sold or otherwise disposed of are removed from the accounts and the resulting gain or loss is included in operations. Maintenance and repairs are charged to operations as incurred and betterments are capitalized. RESEARCH AND DEVELOPMENT COSTS - Research and development costs are charged to operations in the period incurred. ADVERTISING - The Company incurs advertising expense in connection with the marketing of its product. Advertising costs are expensed as advertising takes place. Advertising expense was $87,672 and $94,936 in 2000 and 1999, respectively. LOSS PER SHARE - The loss per share is presented in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. SFAS No. 128 replaced the presentation of primary and F-9 SIMTEK CORPORATION NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS fully diluted earnings (loss) per share (EPS) with a presentation of basic EPS and diluted EPS. Basic EPS is calculated by dividing the income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As the Company incurred losses in 1999 and 2000, all common stock equivalents would be considered anti-dilutive. For purposes of calculating diluted EPS, 2,817,722 and 1,337,750 options for 2000 and 1999, respectively, were excluded from diluted EPS as they had an anti-dilutive effect. The convertible debentures also had an anti-dilutive effect on 1999 and were, therefore, excluded from the computation of diluted EPS. ACCOUNTING ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of estimates, including the allowance for doubtful accounts, technological obsolescence of inventories, the estimated useful lives selected for property and equipment, sales returns, warranty reserve, percentage of completion on projects in process at year-end, and the valuation allowance on the deferred tax assets. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material. FINANCIAL INSTRUMENTS - The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of the accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short-term maturities of these instruments. The fair value of notes payable approximates their carrying value as generally their interest rates reflect the Company's current effective annual borrowing rate. CONCENTRATION OF CREDIT RISK - Financial instruments that potentially subject the Company to significant considerations of credit risk consist primarily of accounts receivable. The Company has no significant off-balance sheet concentrations of credit risk. Accounts receivable are typically unsecured and are derived from transactions with and from customers located in the United States. IMPAIRMENT OF LONG-LIVED ASSETS - In the event that facts and circumstances indicate that the cost of assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. STOCK-BASED COMPENSATION - As permitted under the SFAS No. 123, Accounting for Stock-Based Compensation, the Company accounts for its stock-based compensation in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. As such, compensation expense is recorded on the date of grant if the current market price of the underlying stock exceeds the exercise price. Certain pro forma net income and EPS disclosures for employee stock option grants F-10 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS are also included in the notes to the financial statements as if the fair value method as defined in SFAS No. 123 had been applied. Transactions in equity instruments with non-employees for goods or services are accounted for by the fair value method. In fiscal 2000, the Company adopted the Financial Accounting Standards Board Interpretation No. 44 which requires that outside directors be considered employees for purposes of stock option accounting, if the Company is accounting for its employee stock-based compensation in accordance with APB 25. It also affects modifications to fixed stock options or awards that effects the life, exercise price, or the number of shares to be issued. The adoption of this interpretation did not have a material effect on the Company's consolidated financial statements. INCOME TAXES - The Company accounts for income taxes under the liability method of SFAS No. 109, whereby current and deferred tax assets and liabilities are determined based on tax rates and laws enacted as of the balance sheet date. Deferred tax expense represents the change in the deferred tax asset/liability balance. Valuation allowances are recorded for deferred tax assets that are not expected to be realized. BUSINESS SEGMENTS - The Company has adopted Statement of Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information ("SFAS 131"), which established standards for the way companies report information about their operating segments. Prior period amounts have been restated to conform to the requirements of this new statement. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for the Company's financial statements for the year ended December 31, 2001 and the adoption of this standard is not expected to have a material effect on the Company's financial statements. In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements. SAB 101 establishes guidelines in applying generally accepted accounting principles to the recognition of revenue in financial statements based on the following four criteria; persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. SAB 101, as amended , was effective no later than the fourth fiscal quarter of the Company's fiscal year ending year 2000. The adoption of SAB 101 did not have a material effect on its financial position or result of operations. 2. ACQUISITIONS: ------------ On May 9, 2000, Simtek Corporation acquired 100% of the outstanding stock of Integrated Logic Systems Incorporated (Integrated Logic) which designs and sells metal gate array integrated circuits in Colorado Springs, Colorado for common stock (3,000,000 shares) with a market value at the date of issuance of $3.75 million. The acquisition was accounted for as a pooling of interests, and the results of the Integrated Logic business have been combined with those of Simtek Corporation, as if the two businesses had been merged throughout the periods presented. F-11 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS The following is Integrated Logic's operating results for the period from January 1, 2000 to May 9, 2000 which has been included in the Company's results of operations for the year ending December 31, 2000: Revenue $ 279,585 Expenses (233,763) --------- Net $ 45,822 ========= On July 31, 2000, Simtek Corporation acquired 100% of the outstanding stock of Macrotech Semiconductor, Inc. (Macrotech) which is involved in the design, development and production of gate array integrated circuits and related services in San Jose, California for common stock (1,250,000 shares) with a market value at the date of issuance of $1.76 million. The acquisition was accounted for as a pooling of interests, and the results of the Macrotech business have been combined with those of Simtek Corporation, as if the two businesses had been merged throughout the periods presented. The following is Macrotech's operating results for the period from January 1, 2000 to July 31, 2000 which has been included in the Company's results of operations for the year ending December 31, 2000: Revenue $ 291,835 Expenses (248,508) --------- Net $ 43,327 ========= On March 13, 2001, the Company acquired Q-DOT in exchange for approximately 5,172,000 shares of our Common Stock. Q-DOT specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications. Q-DOT will be operated as a wholly owned subsidiary of Simtek for its government contract research and development operations. The acquisition has been accounted for as a pooling of interest, and the results of Q-DOT have been consolidated with those of Simtek as if the two businesses had been merged throughout the periods presented. Q-DOT had a March 31, fiscal year-end and, accordingly, the Q-DOT statements of operations for the year ended March 31, 2000 have been combined with the Company's statements of operations for the fiscal year ended December 31, 1999. In order to conform Q-DOT's March 31 year-end to the Company's December 31, year-end, the consolidated statement of stockholders' equity was adjusted for the $136,929 for the operations from January 1, 2000 to March 31, 2000, which are included in the consolidated statements of operations in both the years ended December 31, 1999 and 2000. The following is a summary of operating results for that period: Revenue $ 923,632 Expenses 786,703 --------- Net income $ 136,929 ========= Separate revenues and net income of the Company, Integrated Logic Systems, Macrotech Semiconductors, Inc. and Q-DOT Group, Inc. are presented in the following table: F-12 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 2000 1999 ---- ---- Revenue: Simtek Corporation $11,579,330 $ 6,992,388 ILSI 279,585 703,588 Macrotech 291,835 58,976 Q-DOT 2,317,064 3,413,672 ----------- ----------- Revenue, as reported $14,467,814 $11,168,624 =========== =========== Net Income (Loss): Simtek Corporation $(3,467,975) $ 132,255 ILSI 45,821 (68,224) Macrotech 43,327 (213,501) Q-DOT (161,515) 26,544 ----------- ----------- Net (loss) as reported $(3,540,342) $ (122,926) =========== =========== 3. EQUIPMENT AND FURNITURE: ---------------------- Equipment and furniture at December 31, 2000 consists of thes following: Leased software under capital leases $ 255,573 Research and development equipment 1,622,860 Computer equipment and software 1,808,613 Office furniture 248,709 Other equipment 135,644 ---------- 4,071,399 Less accumulated depreciation and amortization (3,183,103) ---------- $ 888,296 ========== The cost of equipment and furniture acquired for research and development activities that has alternative future use is capitalized and depreciated over its estimated useful life. Depreciation and amortization expense of $430,962 and $391,718 was charged to operations for the years ended December 31, 2000 and 1999, respectively. Included in the amortization expense for 2000 and 1999 was $51,120 and $17,040, respectively, of amortization of software under capital leases. At December 31, 2000, accumulated amortization for software under capital leases was $68,160. 4. REVOLVING LINE-OF-CREDIT AND LETTER-OF-CREDIT: -- As of December 31, 2000, the Company had a $250,000 revolving line-of-credit (LOC), a reduction of $100,000 since December 31, 1999. The F-13 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS LOC bears interest at prime plus .75% (9.5% at December 31, 2000) and matures in March 2001. At December 31, 2000, the Company had no balance outstanding. As of December 31, 2000, the Company had a second revolving bank line of credit that expires February 1, 2001. At December 31, 2000, the Company had $84,050 outstanding against this line of credit. Interest is payable monthly and accrues at 10.25% annually. The Company also has a note payable of $34,809 with the bank that bears interest at prime plus 1%. The note is payable in monthly installments of $2,083, plus interest, through June 30, 2002. Future payments on this note payable are as follows: 2001 - $24,996; 2002 - $9,813. Borrowings outstanding under these loan agreements are collateralized by all of the Company's assets. The Company has certain covenants in connection with these loans. The Company was not in compliance at December 31, 2000 and 1999 with certain covenants. Therefore, all bank borrowings are classified as current, as the bank could demand repayment if the non compliance is not cured. Subsequent to year end these notes were paid off. Interest Expense for fiscal 2000 and 1999 was $77,234 and $172,424, respectively. The Company has a letter of credit arrangement with one of the Company's suppliers which requires the Company to maintain a $300,000 certificate of deposit as collateral, which is reflected as restricted cash. 5. CONVERTIBLE DEBENTURES: --------------------- During June 1998, the Company received proceeds of $1,500,000 from the issuance of convertible debentures (the "Debentures"). The Debentures were convertible into shares of common stock of the Company. After a one-time conversion price adjustment calculated pursuant to the original agreement, the debentures conversion price changed from $.35 per share to $.195 per share in May 1999. In February 2000, the entire $1,500,000 of convertible debt was converted into 7,692,308 shares of common stock of the Company at the conversion rate of $.195 per share. 6. COMMITMENTS: ------------ OFFICES LEASES - The Company leases office space under a lease, which expires on December 31, 2001. Monthly lease payments are approximately $12,000 (not including CAM charges). The Company has moved where monthly lease payments will be approximately $14,000. The new lease agreement effective March 1, 2001 to February 28, 2008 requires the new landlord to begin paying all costs related to the old location starting on March 1, 2001. Through the acquisition of Q-DOT, the Company has non-cancelable long-term lease agreements for office space, office furnishings and equipment that expire at various dates through April 2005. A facility lease and the equipment leases contain an option to extend the leases for an additional one-year period. The Company leases furniture, equipment, and its office under operating leases, which expire over the next seven years. F-14 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Future minimum lease payments under the equipment, furniture and office leases described above are approximately as follows: Year -------- 2001 $ 384,262 2002 328,368 2003 342,701 2004 354,125 2005 & After 715,719 ---------- $2,125,175 ========== Office rent and equipment lease expense totaled $733,645 and $641,693 for the years ended December 31, 2000 and 1999, respectively. In addition, the Company leases research and development software under a capital lease, which will expire over the next five years. At December 31, 2000, future minimum lease payments under the lease described above is approximately as follows: Year -------- 2001 $ 63,888 2002 63,888 2003 63,888 2004 47,916 ---------- Total net minimum lease payments 239,580 Less amount representing interest (38,566) ---------- Present value of net minimum lease payments $ 201,014 ========== ACCRUED SALARY - Due to limited working capital of the Company, the Company's former CFO agreed with the Company's Board of Directors to defer his salary from April 1, 1994 through December 31, 1996. As of December 31, 2000, a total of $210,000 was accrued and unpaid. 7. SHAREHOLDERS' EQUITY: -------------------- In 1999, the shareholders' of Macrotech, which was acquired by Simtek in 2000 and accounted for as a pooling of interest, contributed $70,000 in services and paid for $132,000 of Marcotech's expenses. In 2000, shareholders' of Macrotech contributed $16,103 in services prior to the acquistion. In February and March 2000, Renaissance Capital Group of Dallas, Texas ("Renaissance") converted the $1,500,000 debenture established in June 1998 into 7,692,308 shares of the Simtek Common Stock. F-15 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS During April, 2000, as significant shareholder of the Company (ZMD) converted $130,153 liability into 551,964 shares of common stock of the Company. On May 9, 2000, the Company acquired Integrated Logic. The Company issued 3,000,000 shares of its common stock in exchange for all outstanding shares of all classes of Integrated Logic stock. Integrated Logic designs and sells programmed semiconductor logic products. The Company purchased approximately $30,000 of product from Integrated Logic in the year preceding the acquisition. The acquisition was accounted for as a pooling of interest, and the results of Integrated Logic have been consolidated with the Company's, as if the two had been merged throughout the periods presented. On June 16, 2000, the Company acquired 1,875,000 shares of the common stock of WebGear, Inc., in return for 1,250,000 shares of Simtek's common stock. On September 29, 2000, the Company purchased incomplete research and development, patents and certain trademarks from WebGear, Inc. The original contract price for the incomplete research and development totaled the 1,875,000 shares of WebGear, Inc. stock plus 3,400,000 shares of our common stock of which 500,000 were held in escrow based on WebGear, Inc. fulfilling all obligations under the contract. In December 2000, WebGear, Inc. defaulted on one condition of the contract, thus forcing them to relinquish the 500,000 escrow shares of Simtek's common stock which reduced the shares issued to 2,900,000 of our common stock. On July 31, 2000, the Company acquired Macrotech. The Company issued 1,250,000 shares of our common stock in exchange for all outstanding shares of all classes of Macrotech stock. Macrotech designs and sells programmed semiconductor logic products, which are an extension of the programmed semiconductor logic products that Integrated Logic manufactures. The acquisition was accounted for as a pooling of interest, and the results of Macrotech have been consolidated with Simtek's, as if the two had been merged throughout the periods presented. On September 14, 2000, the Company entered into a one-year contract with two investment bankers, E.B.M. Associates, Inc. and World Trade Partners. Each company has received 500,000 shares of common stock, which were fully vested upon issuance. Both companies will assist the Company in broadening our financial market presence and establishing new relationships within the industry, investment community and financial media, by arranging meetings for our management with industry analysts, presenting company profiles to analysts and brokerage firms, mailings and constant personal communication with investors. E.B.M. Associates Inc. supports these activities primarily in retail investment markets, while World Trade Partners supports these activities primarily in institutional markets. E.B.M. Associates and World Trade Partners cooperate to coordinate their activities. On September 14, 2000, the closing share price for the Company's common stock was $ 1.0312 per share and accordingly $1,031,000 was assigned to prepaid investor relations. The cost associated with this transaction is being amortized over the life of the contract, of which approximately $301,000 was expensed in 2000. The balance will be expensed over the term of the contract, ending in the third quarter of 2001. On September 29, 2000, the Company purchased incomplete research and development, patents and certain trademarks from WebGear, Inc. The incomplete research and development consists of hardware and software F-16 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS developed for wireless data communications that needs to be modified for use with the Bluetooth technology standard. The Company originally issued 3,400,000 shares of our common stock which was amended in December 2000 to 2,900,000 by the return of 500,000 shares of common stock which were previously held in escrow. The Company also returned to WebGear, Inc. the 1,875,000 shares of WebGear, Inc. common stock that Simtek acquired from WebGear, Inc. on June 16, 2000. On September 29, 2000, the closing price of Simtek's common stock was $0.8438 per share. The Company has valued the purchased patents and trademarks at $125,000, which was capitalized and recorded as intangible assets. The Company has valued the incomplete research and development acquired from WebGear, Inc. at $3,962,646, which was expensed immediately. The discounted cash flow method was used to value the in-process technology acquired. A ten year life and a 27.5% discount rate were used for valuation. Calculations assumed revenues from products developed from the incomplete research and development would commence in late 2001 and that gross margins could be sustained at an average 50% over the projected product lives. The Company has assumed that operating costs would follow the normal percentage of revenue rates that the Company has established over the past five years. WebGear developed a wireless networking product that operates with a 900 MHz narrow-band radio and uses protocol conversion techniques, firmware and software which are similar to the requirements to implement Bluetooth bridging technology. These will be used as base-line technologies to implement our integrated circuits, along with system architecture definitions developed by WebGear that include hardware descriptions and software protocol stacks. The Company estimates that we will invest approximately $750,000 in further development costs to bring the first product to market. Samples are scheduled for the second half of 2001 with production within 3 months of sampling. The Company estimates that the use of the purchased incomplete research and development accomplishes two-thirds of the product development required for sampling and management of the Company believes they have an 80% probability of technical success. There is technical risk as the Bluetooth industry standards organization is modifying and upgrading the specification and potential market delays as major Bluetooth product suppliers implement the standard in consumer products. On March 13, 2001, the Company acquired Q-DOT in exchange for approximately 5,172,000 shares of Simtek's common stock. Q-DOT specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications. Q-DOT's projects have been supported by conventional government and commercial contracts in addition to government contacts sponsored by the Small Business Innovation Research (SBIR) contracts. Q-DOT will be operated as a wholly owned subsidiary of Simtek for its government contract research and development operations. The acquisition will be accounted for as a pooling of interest, and the results of Q-DOT will be consolidated with Simtek's as if they had been merged throughout the periods. STOCK OPTION PLANS - The Company has approved two stock option plans that authorize an aggregate of 7,000,000 shares for stock options that may be granted to directors, employees, and consultants. Subsequently, on January 2, 2001, the Company authorized an additional 2,000,000 shares that can be issued under the stock option plans. The plans permit the issuance of incentive and non-statutory options and provide for a minimum exercise F-17 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS price equal to 100% of the fair market value of the Company's common stock on the date of grant. The maximum term of options granted under the plans is 10 years and options granted to employees expire three months after the termination of employment. None of the options may be exercised during the first six months of the option term. No options may be granted after 10 years from the adoption date of each plan. The Incentive Stock Option Plan was adopted in 1991, and the Non-Qualified Stock Option Plan was adopted in 1994. Following is a summary of activity under these stock option plans for the years ended December 31, 2000 and 1999: 2000 1999 ----------------------------- ------------------------------ Weighted Weighted Average Average Number Exercise Number Exercise of Shares Price of Shares Price ------------- -------------- ------------- -------------- Outstanding, beginning of year 4,182,486 $ .20 4,137,736 $ .19 Granted 1,036,750 .97 296,750 .17 Expired (81,000) (.17) (42,000) .15 Exercised (1,863,016) (.16) (210,000) (.16) Canceled (137,498) (.37) - - ---------- --------- Outstanding, end of year 3,137,722 $ .47 4,182,486 $ .20 ========== ========= All options granted during 2000 and 1999, were at the current market price and the weighted average fair value was $.77 and .14, respectively. At December 31, 2000, options for 2,226,979 shares were exercisable and of the remaining options of 456,583, 327,250, and 126,910 shares will become exercisable in 2001, 2002, and 2003, respectively. If not previously exercised or forfeited, options outstanding at December 31, 2000, will expire as follows: Weighted Average Number Exercise Year Ending December 31, of Shares Price ----------------------------- ------------- ------------- 2001 387,100 $ .14 2002 498,986 .14 2003 190,000 .17 2004 459,608 .33 2005 398,085 .37 2006 225,471 .17 2007 978,472 1.01 --------- 3,137,772 $ .47 ========= F-18 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Incentive Stock Option Plan - At the time of the acquisition of Q-DOT, Q-DOT had an Incentive Stock Option Plan for the benefit of its employees. At December 31, 2000, Q-DOT had granted options to purchase 7,380 shares of its stock. At the time of closing, these options converted into 130,350 options to purchase Simtek Common Stock. These options have not been included in the above tables. Pro Forma Stock-Based Compensation Disclosures - The Company applies APB Opinion 25 and related interpretations in accounting for its stock options and warrants which are granted to employees. Accordingly, no compensation cost has been recognized for grants of options and warrants to employees since the exercise prices were not less than the market value of the Company's common stock on the grant dates. Had compensation cost been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and EPS would have been reduced to the pro forma amounts indicated below. Year Ended December 31, ---------------------------- 2000 1999 ------------ ------------ Net loss applicable to common shareholders: As reported $(3,540,342) $ (149,470) Pro forma (3,765,937) (272,062) Net loss per common shareholders: As reported - basic and diluted $ (.07) $ - Pro forma - basic and diluted (.07) - The fair value of each option granted in 2000 and 1999 was estimated on the date of grant, using the Black-Scholes option-pricing model with the following: Options Granted During --------------------------- 2000 1999 ----------- ----------- Expected volatility 127.0% 119.7% Risk-free interest rate 5.5% 5.5% Expected dividends - - Expected terms (in years) 4.0 4.0 OTHER - Preferred Stock may be issued in such series and preferences as determined by the Board of Directors. F-19 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 8. SIGNIFICANT CONCENTRATION OF CREDIT RISK, MAJOR CUSTOMERS, AND OTHER RISKS -- AND UNCERTAINTIES: ----------------- Sales by location for the ended December 31, 2000 and 1999 were as follows (as a percentage of sales): 2000 1999 ---- ---- United States 46% 63% Europe 14% 11% Far East 34% 25% All Others 6%

1% ---- ---- Total 100% 100% Sales from government contracts accounted for approximately 15% and 33% of total sales for the years ended December 31, 2000 and 1999, respectively. Sales from our military products accounted for approximately 12% and 18% of total sales for the years ended December 31, 2000 and 1999, respectively. Sales to unaffiliated customers which represent 10% or more of the Company's sales for the years ended December 31, 2000 and 1999 were as follows (as a percentage of sales): Customer 2000 1999 ------------ -------- -------- A 18% 31% B - 13% C 14% - D 10% - E - 12% At December 31, 2000, the Company had gross trade receivables totaling $898,020 due from the above three customers. In 2000 and 1999, the Company purchased all of its memory wafers, based on 0.8 micron technology from a single supplier located in Singapore. Approximately 89% and 96% of the Company's memory sales for 2000 and 1999, respectively, were from finished units produced from these wafers. The Company had an agreement with this supplier to provide wafers, which expired in September 1998. This agreement has not been extended or terminated, however, this supplier still provides wafers to the Company. In addition, the Company purchased all of its logic wafers from two suppliers located in Singapore and Taiwan. Approximately 11% and 9% of its logic sales in 2000 and 1999, respectively, were from finished units produced from these wafers. The Company does not have an agreement with either supplier, however, the Company has not seen any disruption in wafer deliveries. In 1999, the Company also purchased finished units from ZMD for F-20 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS $22,480, and sales from these products accounted for approximately 4% of the Company's sales in 1999. Any disruptions in the Company's relationships with these suppliers could have an adverse impact on the Company's operating results. Assuming an alternate manufacturer of the Company's products could be procured, management believes there could be significant delays in manufacturing while the manufacturer incorporates the Company's products and processes. 9. TAXES: ----- Under SFAS No. 109, deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The components of deferred taxes are as follows: Deferred Tax Assets (Liability) ------------------- Current: Allowance for doubtful accounts $ 3,000 Inventory reserve 36,000 Accrued expenses 276,000 ------------ Net current deferred tax before valuation allowance 315,000 Valuation allowance (315,000) ------------ Total current deferred tax $ - ============ Non-Current: Property and equipment $ 205,000 Incomplete research and development 1,431,000 Net operating losses 10,126,000 R&D credit carryforward 1,200,000 AMT credit 8,000 ------------ Net non-current deferred tax asset before valuation allowance 12,970,000 Valuation allowance (12,970,000) ------------ Total non-current deferred tax asset $ - ============ The net current and non-current deferred tax assets have a 100% valuation allowance resulting from the inability to predict sufficient future taxable income to utilize the assets. The valuation allowance for 2000 increased $91,000 and decreased $219,000 in 1999. At December 31, 2000, the Company has approximately $27,000,000 available in net operating loss carryforwards which begin to expire from 2004 to 2015. As a result of certain non-qualified stock options which have been exercised, approximately $3,200,000 of the net operating loss carryforward will be charged to "paid in capital," when, and if, the losses are utilized. Also, a substantial portion of the net operating loss may be subject to Internal Revenue Code Section 382 limitations. F-21 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Total income tax expense for 2000 and 1999 differed from the amounts computed by applying the U.S. Federal statutory tax rates to pre-tax income as follows: 1999 1998 -------- -------- Statutory rate (34.0)% (34.0)% State income taxes, net of Federal income tax benefit (3.3)% (3.3)% Increase (reduction) in valuation allowance related to of net operating loss carryforwards and change in temporary differences 37.3% 37.3% -------- ------- $ - $ - ======== ======= 10. BUSINESS SEGMENTS ---------------- The Company has two reportable segments. One segment designs and produces semiconductor devices for sale into the semiconductor market. The second segment specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications that is supported by government and commercial contracts. Although both segments are managed as part of an integrated enterprise, they are reported herein in a manner consistent with the internal reports prepared for management. Transactions between reportable segments are recorded at cost. Substantially all operating expenses are identified per each segment. Substantially all of the Company's assets are located in the United States of America. F-22 SIMTEK CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Semiconductor Government Description Year Devices Contracts Total ----------- ---- ------------- ---------- ----- Net sales 2000 $12,150,750 $ 2,317,064 $14,467,814 1999 7,754,952 3,413,672 11,168,624 Income (loss) from operations 2000 $(3,515,122) $ 78,320 $(3,436,802) 1999 (100,685) 144,327 43,642 Interest income 2000 $ 165,736 - $ 165,736 1999 96,942 - 96,942 Interest expense 2000 $ (52,790) $ (24,444) $ (77,234) 1999 (151,402) (21,022) (172,424)

Depreciation and amortization expense 2000 $ 307,837 $ 123,125 $ 430,962 1999 247,502 144,216 391,718 Noncash items: Purchase of incomplete research and development 2000 $ 3,962,645 - $ 3,962,645 1999 - - - Stock issued for services 2000 $ 1,031,200 $ 22,932 $ 1,054,132 1999 - 14,999 14,999 Assets 2000 $ 7,517,026 $ 501,392 $ 8,018,418 1999 5,508,380 955,128 6,463 508 F-23 SIMTEK CORPORATION BALANCE SHEET (unaudited) ASSETS ------ March 31, 2001 -------------- CURRENT ASSETS: Cash and cash equivalents... $ 2,615,626 Certificate of deposit, restricted.................................... 300,000 Accounts receivable - trade, net...................................... 2,100,007 Inventory, net .... 1,869,577 Prepaid expenses and other.. 617,210 ------------ Total current assets.. 7,502,420 EQUIPMENT AND FURNITURE, net.. 998,786 DUE FROM RELATED PARTY.. 22,562 OTHER ASSETS... 112,500 ------------ TOTAL ASSETS... $ 8,636,268 ============= LIABILITIES AND SHAREHOLDERS' EQUITY ---------------------------------- CURRENT LIABILITIES: Accounts payable... $ 2,456,738 Accrued expenses.. 353,513 Notes Payable.. 24,996 Accrued wages... 295,049 Accrued vacation payable... 156,762 Line of credit payable.. - Obligations under capital lease....................................... 48,436 ------------ Total current liabilities.. 3,335,494 NOTES PAYABLE... 23,564 OBLIGATIONS UNDER CAPITAL LEASES... 141,144 ------------ Total liabilities.. 3,500,202 COMMITMENTS AND CONTINGENCIES SHAREHOLDERS' EQUITY: Preferred stock, $1.00 par value, 2,000,000 shares authorized and none issued and outstanding .... - Treasury stock... (12,504) Common stock, $.01 par value, 80,000,000 shares authorized, 53,684,245 and 48,462,514 shares issued and outstanding at March 31, 2001... 536,842 Additional paid-in capital.. 37,503,880 Accumulated deficit.. (32,892,152) ------------ Shareholder's equity.. 5,136,066 ------------ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY................................ $ 8,636,268 ============ The accompanying notes are an integral part of these financial statements. F-24 SIMTEK CORPORATION STATEMENTS OF OPERATIONS (unaudited) For the quarters ended March 31, ------------------------------ 2001 2000 ---- ---- NET SALES.. $ 4,331,721 $ 3,826,027 Cost of sales.. 3,096,555 2,128,721 ------------- ------------- GROSS MARGIN.. 1,235,166 1,697,306 OPERATING EXPENSES: Design, research and development................................... 660,074 623,465 Administrative.. 704,103 213,285 Marketing.. 416,852 274,892 ------------- ------------- Total Operating expenses.. 1,781,029 1,111,642 INCOME (LOSS) FROM OPERATIONS... (545,863) 585,664 ------------- ------------- OTHER INCOME (EXPENSE): Interest income (expense), net...................................... 30,360 (7,589) Other expense, net.. 939 (1,928) ------------- ------------- Total other income (expense)..................................... 31,299 (9,517) ------------- ------------- NET INCOME (LOSS) BEFORE TAXES.. (514,564) 576,147 Provision for income taxes.. - 38,000 ------------- ------------- NET INCOME (LOSS).. $ (514,564) $ 538,147 ============== ============== NET INCOME PER COMMON SHARE: Basic... $ (.01) $ .01 ============== ============== Diluted... $ (.01) $ .01 ============== ============== WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: Basic.. 53,651,912 41,472,635 =============== ============== Diluted.. 53,651,912 44,848,779 =============== =============== The accompanying notes are an integral part of these financial statements. F-25 SIMTEK CORPORATION STATEMENTS OF CASH FLOWS (unaudited) Three Months Ended March 31, ----------------------------------- 2001 2000 ---- ---- CASH FLOWS FROM OPERATING ACTIVITIES: Net income (loss) .... $ (514,563) $ 538,147 Adjustments to reconcile net income (loss) to net cash from operating activities: Depreciation and amortization............................. 111,272 111,646 Increase (decrease) in net change of reserve accounts... 21,423 68,951 Deferred financing fees.................................. - 1,865 Changes in assets and liabilities: (Increase) decrease in: Accounts receivable.................................. (380,109) (374,074) Inventory.. (750,648) (106,515) Prepaid expenses and other .... 305,608 (87,265) Increase (decrease) in: Accounts payable..................................... 1,356,691 (56,028) Accrued expenses..................................... (86,970) 76,426 Customer Deposits.................................... - (41,750) ----------------------------------- Net cash provided by operating activities.................... 62,704 131,403 ----------------------------------- CASH FLOWS FROM INVESTING ACTIVITIES: Purchase of equipment and furniture............................ (177,334) (62,193) Payments on capital lease obligation............................ (11,435) (7,863) Reduction of certificate of deposit............................ - 100,000 ----------------------------------- Net cash provided by (used in) investing activities........... (188,769) 29,944 CASH FLOWS FROM FINANCING ACTIVITIES: Payments on Notes Payable...................................... (6,249) (8,190) Purchase of Simtek Common Stock................................ (12,504) - Cash to Q-DOT Acoustics... (16,065) (57,191) Cash to Q-DOT Group.. - (272) Payments of line of credit..................................... (84,050) (222,769) Capital Contribution... - 20,170 Exercise of stock options...................................... 6,790 201,994 ----------------------------------- Net cash used in financing activities........................ (112,078) (66,258) ----------------------------------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS... (238,143) 95,089 ----------------------------------- CASH AND CASH EQUIVALENTS, beginning of period....................... 2,853,769 2,243,925 ----------------------------------- CASH AND CASH EQUIVALENTS, end of period............................ $ 2,615,626 $ 2,339,014 =================================== SUPPLEMENTAL NON-CASH INFORMATION: Conversion of debenture into shares of common stock, net of deferred financing costs related to the debenture........... $ - $ 1,441,249 The accompanying notes are an integral part of these financial statements. F-26 SIMTEK CORPORATION (Unaudited) 1. SIGNIFICANT ACCOUNTING POLICIES: ------------------------------- The financial statements included herein are presented in accordance with the requirements of Form 10-QSB and consequently do not include all of the disclosures normally made in the registrant's annual Form 10-KSB filing. These financial statements should be read in conjunction with the financial statements and notes thereto included on page F-3 To F-23. In the opinion of management, the unaudited financial statements reflect all adjustments of a normal recurring nature necessary to present a fair statement of the results of operations for the respective interim periods. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. 2. LINE OF CREDIT: -------------- In April 2001, Simtek Corporation ("Simtek" or the "Company") renewed its revolving line of credit for another year in the amount of $250,000. 3. GEOGRAPHIC CONCENTRATION: ------------------------ Sales by location for the three months ended March 31, 2001 and 2000 were as follows (as a percentage of sales): 2001 2000 United States 44% 56% Europe 18% 12% Far East 37% 24% All Others 1% 8% --- --- 100% 100% F-27 PART II INFORMATION NOT REQUIRED IN PROSPECTUS Capitalized terms used but not otherwise defined in Part II are used as defined in the prospectus contained in this registration statement. ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS Article Six of our Articles of Incorporation requires us to indemnify, to the fullest extent authorized by applicable law, any person who is or is threatened to be made a party to any civil, criminal, administrative, investigative, or other action or proceeding instituted or threatened by reason of the fact that he is or was our director or officer or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Article Five of our Articles of Incorporation provides that, to the fullest extent permitted by the Colorado Corporation Code, our directors shall not be liable to us or any of our shareholders for damages caused by a breach of a fiduciary duty by such director. The above discussion of the Company's Articles of Incorporation is intended to be only a summary and is qualified in its entirety by the full test. ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION The following table sets forth the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby, all of which expenses, except for the Commission registration fee are estimated: Securities and Exchange Commission registration fee............ $ 268 Legal fees and expenses....................................... 3,000 Accounting fees... 2,500 Miscellaneous... 2,500 ----- Total... $8,268 ====== The above expenses will be borne by us. ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES In May

2000, we issued 3,000,000 shares of our common stock to Hugh Norman Chapman as consideration for our acquisition of 100% of the issued and outstanding stock of Integrated Logic, one of the companies that house our semiconductor logic business. No advertising or general solicitation occurred. We only offered to issue, and did issue, stock to one person--Mr. Chapman. Mr. Chapman had substantial business dealings with us prior to this transaction. Mr. Chapman received or had access to the same type of information about us as a registration statement would disclose. We reasonably believed that Mr. Chapman was financially sophisticated. In June 2000, we issued 1,250,000 shares of our common stock to WebGear, as consideration for our acquisition of 1,250,000 shares of WebGear common stock. In September, we issued 2,900,000 shares of our common stock to WebGear as consideration, together with 1,250,000 shares of WebGear common stock, for our acquisition of intellectual property assets of WebGear. These assets primarily relate to the wireless data communications industry. No advertising or general solicitation occurred with respect to these transactions involving WebGear. WebGear received or had access to the same type of information about us as a registration statement would disclose. WebGear was financially sophisticated and an "accredited investor." II-1 In July 2000, we issued 625,000 shares of our common stock to each of Jaskarn Johal and Kashmira S. Johal as consideration for our acquisition of 100% of the stock of Macrotech, one of the companies that house our semiconductor logic business. No advertising or general solicitation occurred with respect to the Macrotech transaction. We only offered to issue, and did issue, stock to Messrs. Johal and Johal. Messrs. Johal had substantial business dealings with us prior to this transaction. Messrs. Johal received or had access to the same type of information about us as a registration statement would disclose. We reasonably believed that Messrs. Johal were financially sophisticated. In September 2000, we issued 500,000 shares of our common stock each to both E.B.M. and WTP in consideration for their agreement to provide financial advisory services. No advertising or general solicitation occurred with respect to our issuance of stock to E.B.M. or WTP. We only offered to issue, and did issue, stock to E.B.M. and WTP. E.B.M. and WTP received or had access to the same type of information about us as a registration statement would disclose. We reasonably believed that E.B.M. and WTP were financially sophisticated. The issuances described above were deemed to be exempt from registration under the Securities Act of 1933, as amended (the "Act"), in reliance on Section 4(2) of the Act as transactions by an issuer not involving a public offering. With respect to our acquisition of Q-DOT, we issued stock in reliance upon Rule 506 of Regulation D. ITEM 28. UNDERTAKINGS Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of Simtek pursuant to the foregoing provisions, or otherwise, Simtek has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Simtek of expenses incurred or paid by a director, officer of controlling person of Simtek in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, Simtek will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. Simtek will (1) file, during the period in which it offers or sells securities, a post-effective amendment to this registration statement to:(i) include any prospectus required by section 10(a)(3) of the Securities Act; (ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement (notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement); (2) include any additional or changed material information on the plan of distribution (for determining liability under the Securities Act, treat each post effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering), and (3) file a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering. II-2 EXHIBITS 3.1 Amended and Restated Articles of Incorporation.(2) 3.2 Amended and Restated Articles of Incorporation November 1997.(7) 3.3 Bylaws.(2) 4.1 1987-I Employee Restricted Stock Plan.(1) 4.2 Form of Restricted Stock Agreement between the Company and Participating Employees.(1) 4.3 Form of Common Stock Certificate.(3) 4.4 Simtek Corporation 1991 Stock Option Plan.(4) 4.5

Form of Incentive Stock Option Agreement between the Company and Eligible Employees.(4) 4.6 1994 Non-Qualified Stock Option Plan.(5) 4.7 Amendment to the 1994 Non-Qualified Stock Option Plan.(6) 5.1 Form of Opinion of Holme, Roberts & Owen, LLP 10.1 Form of Non-Competition and Non-Solicitation Agreement between the Company and certain of its employees.(1) 10.2 Form of Employee Invention and Patent Agreement between the Company and certain of its employees.(1) 10.3 Product License Development and Support Agreement between Simtek Corporation and ZMD dated June 1, 1994(5) 10.4 Cooperation Agreement between Simtek Corporation and ZMD dated September 14, 1995(6) 10.5 Manufacturing Agreement between Chartered and Simtek Corporation dated September 16, 1992(6) 10.6 Employment agreement between the Simtek Corporation and Douglas M. Mitchell(8) 10.7 Share Exchange Agreement dated May 9, 2000 between Simtek Corporation and Hugh N. Chapman (9) 10.8 Share Exchange Agreement dated June 16, 2000 between Simtek Corporation and WebGear Inc. (9) 10.9 Share Exchange Agreement dated July 31, 2000 between Simtek Corporation and Jaskarn Johal and Kashmira S. Johal (10) 10.10 Asset Purchase Agreement between Simtek Corporation and WebGear (11) 10.11 Amendment to Asset Purchase Agreement between Simtek Corporation and WebGear (12) 10.12 Agreement and Plan of Merger among Simtek Corporation, Q-DOT Group, Inc. and Q-DOT, Inc. (13) 23.1 Consent of Hein + Associates, LLP ------------------- (1) Incorporated by reference to the Company's Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on November 19, 1990. (2) Incorporated by reference to the Company's Amendment No.1 to Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on February 4, 1991. (3) Incorporated by reference to the Company's Amendment No.2 to Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on March 4, 1991. (4) Incorporated by reference to the Company's Form S-1 Registration Statement (Reg. No. 33-46225) filed with the Commission on March 6, 1992. (5) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 25, 1995. (6) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 27, 1996. (7) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 24, 1998. (8) Incorporated by reference to the Company's Annual Report on Form 10-KSB filed with the Commission on March 12, 1999. (9) Incorporated by reference to the Form SB-2 Registration Statement (Reg. No. 333-40988(filed with the Commission on July 7, 2000. (10) Incorporated by reference to the Form 8-K filed with the Commission on August 14, 2000. (11) Incorporated by reference to the Form 8-K filed with the Commission on October 13, 2000. (12) Incorporated by reference to the Company's Amendment No. 2 to From SB-2 Registration Statement (Reg. No. 333-40988) (13) Incorporated by reference to the Company's Form 8-K filed with the March 23, 2001 II-3 SIGNATURES In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Colorado Springs, State of Colorado on July 2, 2001. Simtek Corporation a Colorado corporation By: /s? Douglas M. Mitchell ---------------------------------- Douglas M. Mitchell Chief Executive Officer and President In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates stated. SIGNATURE TITLE /s/ Douglas M. Mitchell -------------------------- Douglas M. Mitchell Director, Chief Executive Officer, President and Chief Financial Officer (acting) /s/ Robert H. Keeley -------------------------- Robert H. Keeley Director /s/ John Heightley -------------------------- John Heightley Director /s/ Klaus Wiemer -------------------------- Klaus Wiemer Director /s/ Kimberley Carothers -------------------------- Kimberley Carothers Controller II-4