FORM S-1 · REGISTRATION STATEMENT

Microtune Inc

IPO priced 2000-08-04 · $16.00 a share · TUNE



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 5, 2000 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 MICROTUNE, INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	3674	75-2665364
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Number)	(I.R.S. Employer Identification No.)

MICROTUNE, INC. 2540 EAST PLANO PARKWAY, SUITE 188 PLANO, TEXAS 75074 (972) 673-1600 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) DOUGLAS J. BARTEK CHIEF EXECUTIVE OFFICER MICROTUNE, INC. 2540 EAST PLANO PARKWAY, SUITE 188 PLANO, TEXAS 75074 (972) 673-1600 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE BEING OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") 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 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 THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(D) 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	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
COMMON STOCK ($0.001 PAR VALUE).....	$57,500,000	$15,180

(1) ESTIMATED SOLELY FOR THE PURPOSES OF DETERMINING THE REGISTRATION FEE PURSUANT TO RULE 457(O) PROMULGATED UNDER THE SECURITIES ACT.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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+The information in this preliminary prospectus is not complete and may be +

+changed. These securities may not be sold until the registration statement +
+filed with the Securities and Exchange Commission is effective. This +
+preliminary prospectus is not an offer to sell nor does it seek an offer to +
+buy these securities in any jurisdiction where the offer or sale is not +
+permitted. +
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Subject to Completion. Dated May 5, 2000.

SHARES

[MICROTUNE LOGO]

MICROTUNE, INC.

COMMON STOCK

THIS IS AN INITIAL PUBLIC OFFERING OF SHARES OF COMMON STOCK OF MICROTUNE, INC. ALL OF THE SHARES OF COMMON STOCK ARE BEING SOLD BY MICROTUNE.

AT THE REQUEST OF MICROTUNE, THE UNDERWRITERS HAVE RESERVED, AT THE INITIAL PUBLIC OFFERING PRICE, UP TO SHARES OF COMMON STOCK FOR SALE TO ENTITIES AND INDIVIDUALS IDENTIFIED BY MICROTUNE THROUGH A DIRECTED SHARE PROGRAM.

PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE PER SHARE WILL BE BETWEEN AND . APPLICATION HAS BEEN MADE FOR QUOTATION OF THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "TUNE."

SEE "RISK FACTORS" BEGINNING ON PAGE 6 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Microtune	$	$

TO THE EXTENT THAT THE UNDERWRITERS SELL MORE THAN SHARES OF COMMON STOCK, THE UNDERWRITERS HAVE THE OPTION TO PURCHASE UP TO AN ADDITIONAL SHARES FROM MICROTUNE AT THE INITIAL PUBLIC OFFERING PRICE LESS THE UNDERWRITING DISCOUNT.

THE UNDERWRITERS EXPECT TO DELIVER THE SHARES AGAINST PAYMENT IN NEW YORK, NEW YORK ON , 2000.

GOLDMAN, SACHS & CO. CHASE H&Q SG COWEN BEAR, STEARNS & CO. INC.

PROSPECTUS DATED , 2000.

INSIDE FRONT COVER

A CAPTION CENTERED ON TOP OF PAGE --"MICROTUNE, INC." A CAPTION CENTERED IMMEDIATELY BELOW -- "BROADBAND ACCESS FOR THE NEW CENTURY" [A PICTURE THAT SPANS THE TOP PART OF THE PAGE, LEFT TO RIGHT, OF A PARTIAL GLOBE WITH THE FOLLOWING CAPTION SUPERIMPOSED ON THE LEFT HAND SIDE OF PICTURE - -- "MICROTUNE IS A LEADING RADIO FREQUENCY, OR RF, SILICON AND SYSTEMS COMPANY, PROVIDING HIGH-PERFORMANCE RF TUNERS AND TRANSCEIVERS TO THE BROADBAND COMMUNICATIONS MARKETS. USING PROPRIETARY TECHNOLOGIES AND ADVANCED DESIGN METHODOLOGIES, WE HAVE DESIGNED AND DEVELOPED RF MODULES AND INTEGRATED CIRCUITS, OR ICS, FOR A VARIETY OF BROADBAND ACCESS DEVICES, INCLUDING CABLE MODEMS, PC/TV'S, SET-TOP BOXES AND DIGITAL TVS."

MOVING LEFT TO RIGHT IN THE CENTER OF THE PAGE, A DIAGRAM OF THE DELIVERY OF RADIO FREQUENCIES FROM CABLE AND TERRESTRIAL BROADCASTS THROUGH OUR IC AND MODULE TUNERS TO ACCESS DEVICES IN THE SET-TOP BOX, CABLE MODEM, DIGITAL TV, CABLE TELEPHONY, PC/TV AND AUTOMOTIVE MARKETS.

A CAPTION IMMEDIATELY BELOW THE DIAGRAM, CENTERED ON THE PAGE (IN ITALICS) -- "OUR RF TUNERS ARE "GATEWAY" DEVICES BETWEEN BROADBAND COMMUNICATIONS SYSTEMS AND A VARIETY OF ACCESS DEVICES. VIDEO, AUDIO, DATA AND/OR VOICE ARE TRANSMITTED THROUGH THE COMMUNICATIONS SYSTEMS TO THESE ACCESS DEVICES."

Prospectus Summary

You should read the following summary together with the more detailed information regarding us and the common stock being sold in this offering and our consolidated financial statements and notes thereto appearing elsewhere in this prospectus. Except as set forth in the consolidated financial statements or as otherwise specified in this prospectus, all information in this prospectus:

. assumes no exercise of the underwriters' over-allotment option;

. gives effect to the conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock upon the closing of this offering;

. reflects the exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price; and . reflects the two-for-one common stock split effected January 18, 2000 and our reincorporation into Delaware prior to the completion of this offering.

Technical terms used in this prospectus are explained in the glossary beginning on page G-1.

Microtune, Inc.

We are a leading radio frequency, or RF, silicon and systems company, providing high-performance RF tuners and transceivers to broadband communications markets. Using proprietary technologies and advanced design methodologies, we have designed and developed radio frequency integrated circuits, or RFICs, and RF modules for a variety of broadband access devices, including cable modems, PC/TVs, which are multimedia personal computers with broadband reception capabilities, set-top boxes and digital TVs. With at least one RF tuner required in each of these access devices, RF tuners are the gateway for reception of video, audio, data and/or voice over existing RF broadband communications infrastructures, such as cable and terrestrial. Our transceivers enable interactivity by permitting bi-directional communications. Our latest RFIC products offer a high level of integration by including more functions within the tuner through the use of increased silicon content, resulting in significant benefits with respect to cost, performance, size, reliability and manufacturability. Our RF module products provide a complete, fully-tested and production-ready RF system, eliminating a customer's need for RF design and manufacturing expertise.

In recent years, there has been dramatic growth in new broadband digital entertainment, information and communications services, such as high-speed Internet access, web-enabled TV, digital and high-definition TV and cable telephony. These new services have fueled the growth in sales of broadband access devices. We target existing high-growth broadband communications markets, such as the cable modem and PC/TV markets, and emerging markets, such as the digital TV, set-top box and cable telephony markets. In addition, we sell our RF solutions to existing high-volume markets including the automotive market. Every automotive radio, cable modem, PC/TV, set-top box, VCR and TV requires at

least one RF tuner. Increasingly, some of these access devices include multiple tuners for enhanced or additional services. Based on market reports from Cahner's Instat Group and Kinetic Strategies, the worldwide demand for RF tuners in these markets could reach 310 million units by 2001.

Broadband digital entertainment, information and communications services pose a number of RF performance challenges which are not adequately addressed by the use of typical low-cost RF tuners currently used in analog devices, such as TVs and VCRs. Typical high performance tuners also have been prohibitively expensive for RF broadband applications. As a result, there is a demand for a class of cost-effective RF tuners capable of high performance. In addition, we believe the increasing pressures to provide even higher performance at lower cost, combined with the desirable traits of increased reliability, manufacturability and reduced size, will drive the market toward RF tuner solutions with increasing levels of silicon content. These market demands have created a significant opportunity for our RF solutions.

Our RF solutions provide our customers with the following benefits:

. High Performance Tuning. Our tuner solutions facilitate more efficient use of the RF spectrum, reliable reception of digital content, concurrent reception of analog and digital broadcasts, full utilization of available bandwidth and compatibility with current industry standards;

. IC Tuner Leadership. Our MicroTuner is the first single-chip RF tuner that incorporates all of the active elements of an RF tuner, which results in significant benefits with respect to cost, performance, size, reliability and manufacturability;

. Unique Combination of RF Silicon and Systems Expertise. We possess both leading RF silicon and systems expertise which allows us to achieve increasing levels of integration and provides a complete solution to our customers;

. Broad Suite of RF Tuner Solutions. We believe the breadth of our product portfolio allows us to be a sole source provider for our customers and allows them to migrate easily, at their own pace, to our silicon-only implementations;

. Worldwide Sales, Support and Engineering Infrastructure. We offer our products worldwide and provide our customers with global support; and . Captive Module Manufacturing. We are able to leverage our manufacturing facilities to deliver high quality RF solutions to our customers, as evidenced by our QS-9000 and ISO 9002 certified facility.

Our goal is to be the leading provider of RF silicon and systems solutions to our targeted broadband communications markets by:

. strengthening and broadening our broadband RF technology leadership, including expanding our existing patent portfolio of 14 granted U.S. and foreign patents and 21 pending U.S. and foreign patent applications (which together include over 1000 individual claims);

. targeting high growth broadband RF markets;

. developing and expanding relationships with industry leaders; and . migrating existing customers to more highly integrated RF solutions.

Corporate Information In January 2000, we combined with Temic Telefunken Hochfrequenztechnik GmbH (now called Microtune GmbH) and its affiliated companies, by acquiring HMTF Acquisition (Bermuda), Ltd., a Bermuda corporation, which owned Temic and its affiliated companies. In connection with this combination, we acquired manufacturing facilities in Manila, Philippines, a design center in Ingolstadt, Germany and a distribution facility in Huntsville, Alabama. Since January 2000, we have been operating as one company.

We are a Delaware corporation with our principal executive offices located at 2540 East Plano Parkway, Suite 188, Plano, Texas 75074. Our telephone number is (972) 673-1600. Our fiscal year ends on December 31. We maintain a world wide website at www.microtune.com. The reference to our world wide website does not constitute incorporation by reference of the information contained at this site. Microtune, MicroTuner and the Microtune logo are our trademarks. All other brand names and trademarks appearing in this prospectus are the property of their respective holders.

The Offering

Shares offered by Microtune..... shares Shares to be outstanding after the offering..... shares Proposed Nasdaq National Market Symbol..... "TUNE" Use of proceeds..... For general corporate purposes and other operating expenses including capital expenditures and research and development expenses.

The total number of shares to be outstanding after the offering is based on information as of March 31, 2000. The total number of shares to be outstanding excludes 7,790,116 shares of common stock issuable upon the exercise of options outstanding at a weighted average exercise price of $1.37 per share.

SUMMARY FINANCIAL DATA (in thousands, except per share data) The following table presents a summary of our consolidated statement of operations information:

. on an actual basis for the years ended December 31, 1997, 1998 and 1999 and the three months ended March 31, 1999 and 2000; and . on a pro forma basis for the year ended December 31, 1999 to reflect our combination with Temic in January 2000 as if the combination had occurred on January 1, 1999.

	Year Ended December 31,				Three Months Ended March 31,	
				Pro Forma		
	1997	1998	1999(3)	1999(1)	1999(1)	2000(1)
Statement of Operations Data:						
Net revenues.....	$ --	$ --	$ --	$ 46,759	$ --	$ 13,896
Loss from operations....	(2,814)	(4,059)	(9,090)	(13,265)	(1,757)	(17,720)
Net loss.....	(2,406)	(3,487)	(8,508)	(10,770)	(1,658)	(16,760)
Loss per common share(2):						
Basic and diluted loss per common share.....	$ (0.36)	$ (0.52)	$ (1.12)	$ (1.42)	$ (0.24)	$ (2.06)
Weighted average shares, basic and diluted.....						

6,707 6,716 7,565 7,565 6,948 8,139 Pro forma, as adjusted loss per common share(3): Basic and diluted loss per common share..... $ (0.34) $ (0.50) Weighted average shares basic and diluted..... 32,074 32,649 (1) The actual and pro forma results of operations for the year ended December 31, 1999 and the results of operations for the three months ended March 31, 1999 and 2000 include significant noncash charges related to stock option compensation. The pro forma results of operations for the year ended December 31, 1999 and the actual results of operations for the three months ended March 31, 2000 also include significant noncash charges related to our combination with Temic. See "Selected Financial Data." (2) In accordance with generally accepted accounting principles, loss per common share does not reflect the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock or the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price, both of which will occur upon the closing of this offering, because the effects are antidilutive. (3) Pro forma as adjusted reflects the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock and the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price, both of which will occur upon the closing of this offering, as if such issuances occurred at the beginning of each period presented.

SUMMARY FINANCIAL DATA (CONTINUED) (in thousands, except per share data) The following table presents a summary of our consolidated balance sheet information as of March 31, 2000:

. on an actual basis, which does not reflect the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock or the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price both of which will occur upon the closing of this offering; and . on an as adjusted basis to reflect (i) the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock and the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price both of which will occur upon the closing of this offering and (ii) the receipt of the estimated net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting the estimated underwriting discount and estimated offering expenses payable by us. See "Capitalization."

At March 31, 2000 Actual As Adjusted Balance Sheet Data: Cash, cash equivalents and marketable securities..... $17,503 $ Working capital..... 27,409 Total assets..... 83,867 Long-term debt..... -- -- Total stockholders' equity..... 67,141

Risk Factors

This offering and an investment in our common stock involve a high degree of risk. You should carefully consider the risks described below before making an investment decision.

If we are unable to migrate our customers over time from our modules using discrete components to the MicroTuner or our modules that incorporate the MicroTuner, our operating results could be harmed.

Currently, substantially all of our revenues are from the sale of our modules using discrete components. Our future success will depend on our ability to successfully migrate our customers from our modules that use discrete components to the all-silicon MicroTuner, or MicroModules containing the MicroTuner by convincing leading equipment manufacturers to select these products for design into their own products. If we are not able to convince these manufacturers to incorporate our silicon products our results of operations could be harmed.

We may be unable to integrate our German and Philippines operations or other operations that we acquire.

We have recently combined with Temic Telefunken Hochfrequenztechnik GmbH (now called Microtune GmbH) and we are still in the process of integrating Temic's German and Philippines operations with ours. Integrating operations of two ongoing businesses can be difficult especially when they are located in different countries. In addition to integrating the operational aspects of our two companies, we will also face challenges coordinating and consolidating our financial reporting functions. For example, our accounting functions utilize different software programs, and Temic's consolidated financial statements have historically been prepared based on German generally accepted accounting principles. We cannot assure you that we will be able to complete this integration on a timely and cost-effective basis.

In addition, from time to time, we expect to continue to evaluate acquisitions and may make additional acquisitions in the future. Integrating acquired organizations and their products and services may be expensive, time- consuming and a strain on our resources.

Risks we could face with respect to our Temic acquisition, in particular, and other potential acquisitions generally include:

. the difficulty of integrating acquired technology into our product offerings or integrating our technology with an acquired company's products;

. the impairment of relationships with employees, customers and vendors;

. the difficulty of coordinating and integrating geographically dispersed operations;

. the difficulty of coordinating and integrating overall business strategies and sales and marketing and research and development efforts;

. the potential disruption of our ongoing business and distraction of our management;

. the maintenance of brand recognition of acquired businesses;

. the maintenance of corporate cultures, controls, procedures and policies; and . the potential unknown liabilities associated with acquired businesses.

We are dependent upon third parties, some of which compete with us, for the supply of components for our module manufacturing. Our failure to obtain components for our module manufacturing would seriously harm our ability to ship modules to our customers in a timely manner.

Many of the components for our modules are sole-sourced, meaning that we are dependent upon one supplier for a specific component. At times we have experienced significant difficulties in obtaining an adequate supply of components necessary for our manufacturing operations, which have on occasion prevented us from delivering RF solutions to our customers in a timely manner. For example, we are currently not receiving our expected allocation of components from a significant sole-source supplier which has constrained and which we expect to continue to constrain our ability to meet customer demand through the remainder of 2000 and possibly into 2001. We usually do not have long-term supply agreements with our suppliers and instead obtain components on a purchase order basis. Our suppliers typically have no obligation to supply products to us for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. Our requirements often represent a small portion of the total production capacity of our suppliers, and our suppliers may reallocate capacity to other customers even during periods of high demand for our RF solutions. In addition, some of our suppliers offer or may offer products that compete with our RF solutions. As a result, these suppliers may preferentially allocate their components to in-house or third party manufacturers, rather than us. If our suppliers were to become unable or unwilling to continue manufacturing or supplying the components that we utilize in our RF solutions, our business would be seriously harmed. As a result, we would have to identify and qualify substitute suppliers or design around the component. This would be time-consuming and difficult, and may result in unforeseen manufacturing and operations problems. This may also require our customers to requalify our or their products, which may be a lengthy process. The loss of a significant supplier or the inability of a supplier to meet performance and quality specifications or delivery schedules could impede our ability to meet customer demand for timeliness, performance and quality, which could harm our reputation and our business.

If we are unable to develop and introduce new RF solutions successfully and in a cost-effective and timely manner or to achieve market acceptance of our new products, our operating results would be substantially harmed.

Our future success will depend on our ability to develop new RF solutions for existing and new markets, introduce these products in a cost-effective and timely manner, meet customer specifications and convince leading equipment manufacturers to select these products for design into their own new products. Our quarterly results in the past have been, and are expected in the future to continue to be, dependent on the introduction and market acceptance of a relatively small number of new products and the timely completion and delivery of those products to customers. For example, we believe that market acceptance of our RFICs for the cable modem market will be limited until such time as we introduce RFICs with the power requirements that conform to the evolving specifications of some cable modem manufacturers. The development of new RF solutions is highly complex, and from time to time we have experienced delays in completing the development and introduction of new products. In addition, some of our new product development efforts are focused on producing silicon products

utilizing architectures and technologies with which we have no experience, and delivering performance characteristics such as low power consumption at levels that we have not previously achieved. If we are not able to develop and introduce these new products successfully and in a cost- effective and timely manner, we will not be able to successfully penetrate all of our target markets and our business, financial condition, revenues and results of operations would be substantially harmed.

We are experiencing capacity constraints, and we are increasing production from our module manufacturing facilities, which is critical to our business. If we fail to increase production from our manufacturing facilities, we will be unable to meet the anticipated demand for our RF solutions. Our failure to meet our customers' demand for our RF solutions could damage our relationships with our customers and result in diminished revenues.

We have two module manufacturing facilities in Manila, Philippines, although one of them has only recently begun operations. We also have one integrated circuit, or IC, test facility in Plano, Texas. We are experiencing capacity constraints at our module manufacturing facilities due to increased demand for our RF solutions, both current and anticipated. If we fail to increase production from our manufacturing facilities, we will be unable to meet the demand for our RF solutions. Our failure to meet our customers' demand for our RF solutions could damage our relationships with our customers and result in diminished revenues. We are in the process of adding additional production equipment and hiring and training new employees. These facilities and our current efforts to increase their production are crucial to our strategy of expanding our manufacturing capacity in order to satisfy current and anticipated customer demand for our RF solutions. As we increase capacity and add new products, we must maintain and improve our line, assembly and test yields in order to meet our manufacturing goals.

The lease covering our first manufacturing facility in the Philippines expires in December 2000. We are currently in negotiations to extend this lease. However, we may not be able to negotiate an extension on commercially reasonable terms or at all. If we are unable to obtain an extension and are unable to find substitute facilities promptly and on commercially reasonable terms, we will encounter capacity constraints and may experience an interruption of our ability to manufacture our RF solutions. This would severely harm our business.

In addition, we are currently in the process of expanding our production capability at our second manufacturing facility in the Philippines by installing additional production equipment. This expansion is not expected to be completed during the year 2000. Expansion activities like this are subject to a number of risks, including the following:

. unforeseen environmental or engineering problems;

. unavailability or late delivery of, or delays in implementing production equipment;

. unavailability of trained production employees, or the inability to train employees on a timely basis; and . work stoppages and delays.

These and other risks may increase both the ultimate cost of this project and the date of completion of this planned increase in our production capacity. If we fail to increase production and achieve satisfactory yields from our manufacturing facilities, we will be unable to meet the anticipated demand

for our RF solutions. Our failure to meet our customers' demand for our RF solutions could damage our relationships with our customers and result in diminished revenues.

We face intense competition in the broadband communications and RF tuner markets, which could reduce our market share in existing markets and affect our ability to enter new markets.

The broadband communications and RF tuner markets are intensely competitive. We expect competition to continue to increase in the future as industry standards become well known and as other competitors enter our target markets. We compete with, or may in the future compete with, a number of major domestic and international suppliers of IC and system modules in the cable modem, PC/TV, set-top box, cable telephony, digital TV and automotive markets. We currently compete with tuner system module manufacturers such as Alps, Panasonic and Philips Electronics and potentially with semiconductor companies such as Broadcom and Conexant. This competition has resulted and may continue to result in declining average selling prices for our RF solutions.

Many of our current and potential competitors have certain advantages, including:

. longer operating histories and presence in key markets;

. greater name recognition;

. access to larger customer bases;

. significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources; and . relationships with potential customers as a result of the sales of other components, which relationships our competitors can leverage into sales of products competitive with our RF solutions.

As a result, such competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or may be able to devote greater resources to the development, promotion and sale of their products than us.

Consolidation by industry participants, including in some cases, acquisitions of certain of our customers or suppliers by our competitors, or vice versa, could create entities with increased market share, customer base, technology and marketing expertise in markets in which we compete. In fact, some of our suppliers offer or may offer products that compete with our RF solutions. These developments may significantly and adversely affect our current markets, the markets we are seeking to serve and our ability to compete successfully in those markets.

If we do not anticipate and adapt to evolving industry standards in the RF tuner and broadband communications markets, our products could become obsolete and we could lose market share.

Products for broadband communications applications generally are based on industry standards that are continuously evolving. If new industry standards emerge, our products or our customers' products could become unmarketable or obsolete. We may also have to incur substantial unanticipated costs to comply with these new standards. Our ability to adapt to changes and to anticipate future standards and the rate of adoption and acceptance of those standards will be a significant factor in maintaining

or improving our competitive position and prospects for growth. Our inability to anticipate the evolving standards in the broadband communications market and, in particular, in the RF tuner market, or to develop and introduce new products successfully into these markets could result in diminished revenues and consequently harm our business.

The average selling price of our products will likely decrease over time. If such selling price reductions are greater than we expect, our operating results will be harmed.

Historically, the average selling price of our products has decreased over the products' lives. In addition, as the markets for RFIC tuners and transceivers mature, we believe that it is likely that the average unit prices of our RF solutions will decrease in response to competitive pricing pressures, increased sales discounts and new product introductions. To offset these decreases, we rely primarily on achieving yield improvements and other cost reductions for existing products and on introducing new products that can often be sold at higher average selling prices. In addition, we will seek to increase the sales of our higher margin products. However, our sales, product and process development efforts may not be successful, and our new products or processes may not achieve market acceptance. To the extent that our cost reductions and emphasis on higher margin products do not occur in a timely manner, our results of operations could suffer.

We expect our quarterly operating results to fluctuate.

Our quarterly results of operations have fluctuated in the past and may fluctuate significantly in the future based on a number of factors, many of which are not in our control. Among other factors, our results of operations may fluctuate in the future due to the following:

. effects of competitive pricing pressures;

. volume of product sales;

. timing and cancellation of significant customer orders;

. availability and cost of supplies and components from our suppliers;

. ability of our customers to procure the necessary components for their end-products that utilize our RF solutions;

. lengthy sales cycles;

. pricing concessions on volume sales;

. production capacity levels and fluctuations in manufacturing yields;

. changes in our product and customer mix;

. intellectual property disputes;

. our ability to develop, introduce and market new products and technologies on a timely basis;

. introduction of RF tuner products and technologies by our competitors;

. market acceptance of competitive products and technologies that do not incorporate RF tuners, such as digital subscriber lines;

. market acceptance of our RF solutions and our customers' products;

. industry adoption and acceptance of communication standards, such as PacketCable and OpenCable, on which many of our RF solutions are based;

. labor disputes at our manufacturing facilities; and . quality problems with our RF solutions.

Our operating results could also be harmed by general economic or other conditions causing a downturn in the market for RF tuners or the broadband communications market, affecting the timing of customer orders or causing order cancellations or rescheduling of orders. Moreover, our customers may change delivery schedules or cancel or reduce orders without significant penalty and generally are not subject to minimum purchase requirements. Any significant shortfall in revenues would likely harm our business, operating results and financial condition.

We believe that transitioning our silicon products to higher performance process technologies will be important to our future competitive position. If we fail to make this transition efficiently, our competitive position could be seriously harmed.

We continually evaluate the benefits, on a product-by-product basis, of migrating to higher performance process technologies in order to produce more efficient and higher performance ICs. We believe this migration is required to remain competitive. Other companies in the industry have experienced difficulty in migrating to new process technologies and, consequently, have suffered reduced yields, delays in product deliveries and increased expense levels. Moreover, we are dependent on our relationships with foundries to migrate to higher performance processes successfully. Our foundry partner may not make higher performance process technologies available to us on a timely or cost- effective basis, if at all. If our foundry partner does not make higher performance process technologies available to us on a timely or cost-effective basis or if we experience difficulties in migrating to these advanced processes, our competitive position and business prospects could be seriously harmed.

Because we depend on a few significant customers for a substantial portion of our revenues, the loss of a key customer could seriously harm our business. In addition, if we are unable to continue to sell existing and new products to our key customers in significant quantities or to attract new significant customers, our future operating results could be harmed.

We have derived a substantial portion of our revenues in the past from sales to a relatively small number of customers. As a result, the loss of any significant customer could significantly harm our revenues. Sales to DaimlerChrysler and ATI Technologies accounted for approximately 29% and 14%, respectively, of our pro forma net revenues in 1999. DaimlerChrysler, ATI Technologies and Motorola/General Instrument accounted for approximately 26%, 10% and 10%, respectively, of our net revenues for the three months ended March 31, 2000. Sales to our ten largest customers, including sales to their respective manufacturing subcontractors, accounted for approximately 74% of our net

revenues in 1999 and approximately 72% for the three months ended March 31, 2000. We believe that our future operating results will continue to depend on the success of our largest customers and on our ability to sell existing and new products to these customers in significant quantities.

We may not be able to maintain or increase sales to our key customers for a variety of reasons, including the following:

. most of our customers can stop purchasing our RF solutions with limited notice to us without incurring any significant contractual penalty;

. most of our customers typically buy our RF solutions through a purchase order, which does not require them to purchase a minimum amount of our RF solutions;

. many of our customers have pre-existing relationships with our current or potential competitors, which relationships may affect their decision to purchase our RF solutions;

. our customers face intense competition from other manufacturers that do not use our RF solutions;

. some of our customers offer or may offer products that compete with our RF solutions; and . our longstanding relationships with some of our larger customers may also deter other potential customers who compete with these customers from buying our RF solutions.

The loss of a key customer, a reduction in our sales to any key customer or our inability to attract new significant customers could harm our revenues and consequently our financial condition.

The sales cycle for our RF solutions is long, and we may incur substantial non- recoverable expenses and devote significant resources to sales that may not occur when anticipated or at all.

Our customers typically conduct significant evaluation, testing, implementation and acceptance procedures before they purchase our RF solutions. As a result, we may expend significant financial and other resources to develop customer relationships before we recognize any revenues from these relationships, and we may never recognize any revenues from these efforts. Our customers' evaluation processes are frequently lengthy and may range from three months to one year or more. In many situations, our customers design their products to specifically incorporate our RF solutions, and our RF solutions must be designed to meet their stringent specifications. This process can be complex and may require significant engineering, as well as sales, marketing and management efforts on our part. This process becomes more complex as we simultaneously qualify our products with multiple customers.

Uncertainties involving the ordering and shipment of our RF solutions could harm our business.

Our sales are typically made pursuant to individual purchase orders, and we generally do not have long-term supply arrangements with our customers. Generally, our purchase orders provide that our customers may cancel orders until 90 days prior to the shipping date and may reschedule shipments up to 30 days prior to the shipping date; however, in the past, we have permitted customers to cancel orders less than 90 days before the expected date of shipment, in many cases with little or no penalty. Moreover, we routinely manufacture or purchase inventory based on estimates of customer demand for our RF solutions, which demand is difficult to predict. The cancellation or deferral of product orders,

the return of previously sold products or overproduction due to the failure of anticipated orders to materialize could result in our holding excess or obsolete inventory that could substantially harm our business, financial condition and results of operations. In addition, our inability to produce and ship RF solutions to our customers in a timely manner could harm our reputation and damage our relationships with our customers.

We customize a substantial portion of our RF solutions to address our customers' specific RF needs. If we do not sell our customer-specific products in large volumes, we may be unable to cover our fixed costs or may be left with substantial unsaleable inventory.

We manufacture a substantial portion of our RF solutions to address the needs of individual customers. Frequent product introductions by systems manufacturers make our future success dependent on our ability to select development projects that will result in sufficient volumes to enable us to achieve manufacturing efficiencies. Because customer-specific RF solutions are developed for unique applications, we expect that some of our current and future customer-specific RF solutions may never be produced in volume and may impair our ability to cover our fixed manufacturing costs. In addition, if our customers fail to purchase these customized RF solutions from us, we risk having substantial unsaleable inventory. If substantial unsaleable inventory occurs, our financial condition would be harmed.

Other technologies for the broadband communications market will compete with some of our target markets. If these technologies prove to be more reliable, faster or less expensive or become more popular, the demand for our RF solutions and our revenues may decrease.

Some of our target markets, such as cable modem and cable telephony services, are competing with a variety of different non-RF based broadband communications technologies, including digital subscriber line technology. Many of these technologies will compete effectively with cable modem and cable telephony services. If any of these competing technologies are more reliable, faster or less expensive, reach more customers or have other advantages over RF-based broadband technology, the demand for our RF solutions and our revenues may decrease.

We depend on the continued growth of the broadband communications market generally, and the RF tuner market specifically, for our success.

We derive a substantial portion of our revenues from sales of RF solutions for broadband communication applications. These markets are characterized by the following:

. intense competition;

. rapid technological change; and . short product life cycles, especially in the consumer electronics markets.

Although the broadband communications market, in general, has grown rapidly in the last few years, it may not continue to grow or a significant slowdown in this market may occur. In particular, the set-top box, cable modem and cable telephony markets may not grow at a rate sufficient for us to achieve profitability or at all. Because of the changing nature of the broadband communications market, it is

difficult to predict the potential size and future growth rate of the RF tuner market. If the demand for RF tuners is not as great as we expect, we may not be able to generate sufficient revenues to become successful.

The semiconductor industry is cyclical. If there is a sustained upturn in the semiconductor market, there could be a resulting increased demand for foundry services, significantly increasing prices and reducing product availability.

Some of the RF solutions that we provide to the broadband communications market require semiconductors. The semiconductor industry periodically experiences increased demand and production capacity constraints. An increased demand for semiconductors could substantially increase the cost of producing our RF solutions and consequently reduce our profit margins. As a result, we may experience substantial period-to-period fluctuations in future results of operations due to general semiconductor industry conditions.

We depend on a single third-party wafer foundry to manufacture all of our IC products, which reduces our control over the IC manufacturing process.

We do not own or operate a semiconductor fabrication facility. We rely on IBM, an outside foundry, to produce all of our ICs. We do not have a long-term supply agreement with IBM and instead obtain manufacturing services on a purchase order basis. IBM has no obligation to supply products to us for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. Our requirements represent a small portion of the total production capacity of this foundry, and IBM may reallocate capacity to other customers even during periods of high demand for our ICs. If IBM were to become unable or unwilling to continue manufacturing our ICs, our business would be seriously harmed. As a result, we would have to identify and qualify substitute foundries, which would be time-consuming and difficult, resulting in unforeseen manufacturing and operations problems. In addition, if competition for foundry capacity increases, our product costs may increase, and we may be required to pay significant amounts to secure access to manufacturing services. We plan to qualify additional foundries in the future. If we do not qualify additional foundries, we may be exposed to increased risk of capacity shortages due to our dependence on IBM.

We depend on a single third-party subcontractor for IC packaging which reduces our control over the IC packaging process.

Our IC products are packaged by a sole independent subcontractor, Amkor, using facilities located in South Korea. We do not have long-term agreements with Amkor and typically obtain services from them on a purchase order basis. Our reliance on Amkor involves risks such as reduced control over delivery schedules, quality assurance and costs. These risks could result in product shortages or increase our costs of packaging our products. If Amkor is unable or unwilling to continue to provide packaging services of acceptable quality, at acceptable costs and in a timely manner, our business would be seriously harmed. We would also have to identify and qualify substitute subcontractors, which could be time consuming and difficult and may result in unforeseen operations problems.

We are subject to the risks of doing business internationally. If we fail to execute on our international sales and operations plans, our operating results could be harmed.

We have facilities and suppliers located outside of the U.S., including research and development operations in Ingolstadt, Germany, and two manufacturing facilities in Manila, Philippines. Furthermore, our current IC packaging partner is, and future foundry and packaging partners may be, located internationally.

Our international sales and operations are subject to a number of risks inherent in manufacturing, selling and operating abroad. These include, but are not limited to, risks regarding:

. currency exchange rate fluctuations;

. local economic and political instability;

. restrictive governmental actions (such as restrictions on repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);

. changes in legal or regulatory requirements;

. changes in taxation policies;

. changes in import or export licensing requirements;

. nationalization of foreign operations;

. limitations on obtaining strong patent or intellectual property protection internationally;

. natural disasters;

. difficulties with or work stoppages due to actions of labor unions; and . the laws and policies of the U.S. affecting trade, foreign investment and loans.

Due to our reliance on international sales and on foreign suppliers and assemblers, we are subject to risks of conducting business outside of the U.S., including primarily those arising from currency fluctuations, which could affect the price of our products and/or the cost of producing them.

Our success could be jeopardized if key personnel leave.

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel. Our success also depends on our ability to continue to attract, retain and motivate qualified personnel. Our personnel represent a significant asset as the source of our technological and product innovations. The competition for qualified personnel is intense in the RF silicon and RF systems industries. We cannot assure you that we will be able to continue to attract and retain qualified management, technical and other personnel necessary for the design, development, manufacture and sale of our RF solutions. We may have difficulty attracting and retaining key personnel particularly during periods of poor operating performance. The loss of the services of one or more of our key employees or our inability to attract, retain and motivate qualified personnel could harm our business.

We must manage our growth. If we fail to manage our growth, our reputation and results of operations could be harmed.

Following our combination with Temic, our total number of employees has grown from 51 to 125, excluding manufacturing personnel in Manila, Philippines. In addition, as of March 31, 2000, we had 1,251 manufacturing personnel in the Philippines. The resulting growth has placed, and is expected to continue to place, significant demands on our personnel, management and other resources. We must continue to improve our operational, financial and management information systems to keep pace with the growth of our business.

Our business may be harmed if we fail to protect our proprietary technology.

We rely on a combination of patents, trademarks, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. We currently have patents issued and pending in the U.S. and in foreign countries. We intend to seek further U.S and international patents on our technology. We cannot be certain that patents will be issued from any of our pending applications or that patents will be issued in all countries where our products can be sold or that any claims will be allowed from pending applications or will be of sufficient scope or strength to provide meaningful protection or any commercial advantage. Our competitors may also be able to design around our patents. The laws of some countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the U.S., increasing the possibility of piracy of our technology and products. Although we intend to vigorously defend our intellectual property rights, we may not be able to prevent misappropriation of our technology. Our competitors may also independently develop technologies that are substantially equivalent or superior to our technology.

Our ability to sell our RF tuners may suffer if someone claims we or our customers infringe on their intellectual property.

The electronics industry is characterized by vigorous protection and pursuit of intellectual property rights or positions, which have resulted in significant and often protracted and expensive litigation. In addition, our customers may be subject to infringement claims for products incorporating our RF solutions. In the past, we have received a notification of a claim against one of our customers. If any claims of infringement are made against any of our customers, our customers may seek to involve us in the infringement claim and request indemnification from us. If it is necessary or desirable, we may seek licenses under patents or other intellectual property rights that are subject to infringement claims. However, we cannot be certain that licenses will be offered or that we would find the terms of licenses that are offered acceptable or commercially reasonable. Our failure to obtain a license from a third party for technology used by us could cause us to incur substantial liabilities and to suspend the manufacture of products. Furthermore, we may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation by or against us or one of our customers could result in significant expense and divert the efforts of our technical personnel and management, whether or not the litigation results in a favorable determination. In the event of an adverse result in any litigation, we could be required to:

. pay substantial damages;

. indemnify our customers;

. stop manufacturing, using and selling the infringing products;

. expend significant resources to develop non-infringing technology;

. discontinue the use of certain processes; or . obtain licenses to the technology.

We may be unsuccessful in developing non-infringing products or negotiating licenses upon reasonable terms, or at all. These problems might not be resolved in time to avoid harming our results of operations. If any third party makes a successful claim against our customers or us and a license is not made available to us on commercially reasonable terms, our business could be harmed.

The products of our customers are subject to governmental regulation. Governmental regulation could place constraints on our customers and consequently minimize our customers' need or desire for our RF solutions.

The Federal Communications Commission, or FCC, has broad jurisdiction over several of our target markets in the U.S. Similar governmental agencies regulate our target markets in other countries. Although our products are not directly subject to current regulations of the FCC or any other federal or state communications regulatory agency, much of the equipment into which our products are incorporated is subject to direct government regulation. Accordingly, the effects of regulation on our customers or the industries in which they operate may, in turn, impede sales of our products. For example, it is possible that demand for our RF solutions will decrease if equipment incorporating our products fails to comply with FCC emissions specifications.

You may not be able to sell your stock at or above the price you paid or when you want to sell it if a public market does not exist for our stock.

An active public market for our common stock may not develop or be sustained after this offering. The market price for our common stock will vary from the initial offering price. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

. variations in quarterly operating results;

. changes in financial estimates and recommendations by securities analysts;

. changes in market valuations of other companies supplying RFICs and tuners;

. announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

. loss of a major supplier or customer;

. additions or departures of key personnel;

. sales of common stock in the future; and . fluctuations in stock market price and volume, which are particularly common among the securities of technology companies.

We will determine the initial public offering price of the shares of our common stock through negotiations with the underwriters, and this price may not be indicative of the prices that will prevail in the trading market.

Our business may be adversely affected by class action litigation due to stock price volatility.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources, which could severely harm our business, operating results and financial condition.

We may be unable to obtain the additional capital required to grow our business.

We expect the net proceeds from this offering, cash on hand, cash equivalents and marketable securities will meet our working capital and capital expenditure needs for at least the next 24 months. After that time, we may need to raise additional funds, and we cannot be certain that we would be able to obtain additional financing on favorable terms, if at all. Our capital requirements depend upon several factors, including the rate of market acceptance, our ability to expand our customer base, our level of expenditures for sales and marketing, the cost of product and service upgrades and other factors. If our capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. Further, if we issue equity securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds, if needed, on acceptable terms, we may not be able to develop our products and services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, any of which could harm our ability to grow our business.

Our stockholders could be adversely affected if our management and larger stockholders use their influence in a manner adverse to other stockholders' interests.

Upon completion of this offering, executive officers and directors and 5% stockholders will beneficially own, in the aggregate, approximately % of our outstanding common stock. As a result, these stockholders will be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could delay or prevent someone from acquiring or merging with us. These stockholders may use their influence to approve or take actions that are adverse to your interests. See "Principal Stockholders."

Future sales of our common stock may cause our stock price to decline.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market after the closing of this offering, or the perception that such sales could occur. These sales or the possibility that they may occur also could make it more difficult for us to raise funds through future offerings of common stock. The number of shares of common stock

available for sale in the public market is limited by restrictions under federal securities laws. In addition, we, our executive officers and directors and all of our existing stockholders have agreed that they will not sell shares of common stock without the consent of the underwriters for 180 days after the date of this prospectus; provided, however, that this restriction shall terminate with respect to our stockholders as to 20% of the shares after 90 days and an additional 20% of the shares after 120 days after the date of this prospectus, in the event that, at such dates, the reported last sale price of our common stock on the Nasdaq National Market is at least twice the initial public offering price specified in this prospectus for a certain period of time ending on such dates. Goldman Sachs may, however, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in the lock-up agreements. To the extent any of our stockholders have not entered into lockup agreements with the underwriters, these stockholders are subject to lockup agreements with us, which agreements provide that these stockholders may not sell their shares for 180 days after the date of this prospectus. We do not intend to release any of these company lockups.

After this offering we will have shares of common stock outstanding, of which 455,643 shares are subject to repurchase by us in the event covered employees' employment with us is terminated.

Shares of our common stock will become eligible for future sale in the public market as follows, assuming the conditions set forth above are met:

Number of Shares Date Eligible for Public Resale Date of this prospectus (includes shares sold in this offering) 4,079,395 90 days after the date of this prospectus 4,079,395 120 days after the date of this prospectus 12,768,645 180 days after the date of this prospectus 11,815,871 At various times thereafter We intend to register on a Form S-8 registration statements under the Securities Act a total of approximately 14,156,542 shares of common stock reserved for issuance under our employee and director stock plans. As of March 31, 2000, there were outstanding options to purchase 7,790,116 shares of common stock, of which 230,353 were vested and exercisable.

Provisions in our charter documents and Delaware law may deter takeover efforts that you may feel would be beneficial to stockholder value.

Certain provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. Such provisions include:

. Authorizing the issuance of "blank check" preferred stock;

. Providing for a classified board of directors with staggered, three-year terms;

. Prohibiting cumulative voting in the election of directors;

. Limiting the persons who may call special meetings of the board or the stockholders;

. Prohibiting stockholder action by written consent;

. Establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and . Establishing super-majority voting requirements in some instances.

Investors in this offering will experience immediate and substantial dilution.

The initial public offering price is expected to be substantially higher than the book value per share of the outstanding common stock immediately after the offering. Accordingly, if you purchase common stock in the offering, you will incur immediate dilution in the book value per share of the common stock from the price you pay for the common stock. This dilution will be approximately $ per share, at an assumed initial public offering price of $. In addition, we have issued options to acquire common stock at prices significantly below the assumed initial public offering price. To the extent outstanding options are ultimately exercised, there will be further dilution to investors. For a discussion regarding dilution in this offering, please see "Dilution."

You may not be paid dividends in the future.

There can be no guarantee that we will ever desire to or be in a position to pay any dividends. We have not paid dividends to date and, even if and when profitable operations are achieved, we are unlikely to pay dividends in the foreseeable future.

If our management does not effectively use the proceeds from this offering, we may not be able to successfully operate and grow our business.

At present, we have a wide range of planned expenditures to be funded with the proceeds of this offering due to our need to retain flexibility to respond to factors affecting our business. Accordingly, our management will retain broad discretion as to the allocation of the proceeds of this offering and may use such proceeds in a manner with which you may not agree.

Note Regarding Forward-looking Statements

This prospectus contains forward-looking statements that involve risks and uncertainties. Discussions containing forward-looking statements may be found in the material set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" as well as in the prospectus generally. Words such as "believes," "intends," "expects," "anticipates," "plans," and similar expressions are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described above and elsewhere in this prospectus.

Use of Proceeds

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  We expect to receive net proceeds of approximately $            from the sale
of the          shares of common stock at an assumed initial public offering
price of $      per share, or approximately $              if the underwriters'
over-allotment option is exercised in full, after deducting the estimated
underwriting discounts and offering expenses payable by us.
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We intend to use the net proceeds of this offering primarily for general corporate purposes and other operating expenses, including:

. capital expenditures, including expenditures relating to the expansion of our manufacturing facilities; and . research and development expenses.

In addition, if appropriate opportunities arise to acquire or invest in complementary companies, product lines, products or technologies, we may use a portion of the net proceeds for this acquisition or investment. However, we are not currently discussing any such potential acquisition or investment with any third party.

The amount and timing of these expenditures will vary depending on a number of factors, including competitive and technological developments and the rate of growth, if any, of our business.

We will retain broad discretion in the allocation of the net proceeds of this offering. Pending the uses described above, we will invest the net proceeds in investment grade, interest-bearing securities.

Dividend Policy

We have never declared or paid cash dividends. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

Capitalization

The following table sets forth our capitalization as of March 31, 2000:

. on an actual basis, which does not reflect the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock or the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price upon the closing of this offering;

. on an as adjusted basis to reflect (i) the automatic conversion of 11,148,598 outstanding shares of preferred stock into 22,297,196 shares of common stock and the automatic exercise of warrants to purchase 2,212,342 shares of common stock at a nominal exercise price upon the closing of this offering and (ii) the receipt of the estimated net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting the estimated underwriting discount and estimated offering expenses payable by us.

This information should be read in conjunction with our financial statements and related notes thereto included elsewhere in this prospectus.

As of March 31, 2000 Actual As Adjusted (in thousands, except share data)

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Long-term debt ..................................... $      -   $      -
Stockholders' equity:
  Preferred Stock, $0.001 par value per share; 18,999,513
   shares authorized, actual; and 25,000,000 shares
   authorized, as adjusted; 11,148,598 shares issued and
   outstanding, actual; and no shares issued and
   outstanding, as adjusted.........................       11          -
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Common Stock, $0.001 par value per share, 150,000,000 shares authorized, actual and as adjusted; 8,233,768 shares issued and outstanding, actual; shares issued and outstanding, as adjusted	8	
Additional paid-in capital	100,631	
Loans receivable from stockholders	(860)	(860)
Accumulated other comprehensive income	(866)	(866)
Accumulated deficit	(31,783)	(31,783)
Total stockholders' equity	67,141	
Total capitalization	$ 67,141	$

The outstanding share information in the table above excludes:

. 7,130,116 shares of common stock issuable upon exercise of outstanding options with a weighted average exercise price of $0.75 per share as of March 31, 2000; and . 660,000 shares of common stock issuable upon the exercise of outstanding options with an exercise price of $8.00 per share issuable upon the automatic conversion of options to purchase 330,000 shares of Series E preferred stock at an exercise price of $16.00 per share in connection with the offering.

Dilution

On a pro forma basis after giving effect to the automatic exercise of warrants to purchase common stock issued to two of our stockholders that will occur upon the closing of this offering, and the conversion of all outstanding shares of preferred stock into common stock in connection with this offering, our net tangible book value as of March 31, 2000 was $30.5 million or $0.93 per share. Net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of common stock outstanding (reflecting the conversion of all outstanding shares of preferred stock into shares of common stock upon the closing of this offering). Without taking into account any other change in our pro forma net tangible book value after March 31, 2000, other than to give effect to the sale of shares of common stock offered by this prospectus at an assumed initial public offering price of $ per share and receipt of the estimated net proceeds therefrom, our pro forma net tangible book value as of March 31, 2000 would have been approximately $ or $ per share. This represents an immediate increase in such net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to the new investors. If the initial public offering price is higher, the dilution to new investors will be greater; if the initial public offering price is lower, the dilution to new investors will be less. The following table illustrates this per share dilution.

Assumed initial public offering price per share..... $ Net tangible book value per share as of March 31, 2000, before this offering..... $0.93 Increase per share attributable to new investors..... Net tangible book value per share after this offering..... Dilution per share to new investors..... $ The following table summarizes, as of March 31, 2000, on a pro forma basis to reflect the adjustments described above, the differences between the existing stockholders and the new investors with respect to the number of shares of common stock purchased from us, the total

consideration paid (or to be paid) to us, and the average price per share paid (or to be paid) by existing stockholders and by new investors at the assumed initial public offering price of $ per share, before deducting the estimated underwriting discounts and offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	32,743,306	%	$99,040,000	%	$3.02
New investors					
Total		%	$	100.0%	

This table assumes that the underwriters do not exercise their over-allotment option. This table also assumes that, except as described above, no options or warrants have been or are exercised after March 31, 2000. As of March 31, 2000, there were outstanding options to purchase an aggregate of 7,790,116 shares of common stock at a weighted average exercise price of $1.37 per share. If all such options and warrants had been exercised on March 31, 2000, our net tangible book value on such date would have been $ or $ per share, the increase in net tangible book value attributable to new investors would have been $ per share and the dilution in net tangible book value to new investors would have been $ per share.

Selected Financial Data

You should read the data presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical and pro forma financial statements and the notes to those financial statements included elsewhere in this prospectus. The historical statement of operations data for each of the three fiscal years ended December 31, 1997, 1998 and 1999 and the balance sheet data as of December 31, 1998 and 1999 have been derived from our financial statements, which have been audited by Ernst & Young LLP, independent auditors, and are included elsewhere in this prospectus. The historical statement of operations data for the period May 28, 1996 (inception) and balance sheet data as of December 31, 1996 and 1997 have been derived from our audited financial statements that are not included in this prospectus. The historical balance sheet data as of March 31, 2000 and the historical statement of operations data for the three months ended March 31, 1999 and 2000 have been derived from our unaudited interim financial statements which are included elsewhere in this prospectus. The historical results are not necessarily indicative of results to be expected for any future period.

	May 28, 1996 (inception) through December 31,	Year Ended December 31,			Three Months Ended March 31,	
	1996	1997	1998	1999	1999	2000
	(in thousands, except per share data)					

Statement of Operations Data: Net revenues..... $ -- $ -- $ -- $ -- $ 13,896 Cost of revenues..... -- -- -- -- -- 10,071 Gross margin..... -- -- -- -- -- 3,825 Operating expenses: Research and development..... 484 2,091 3,174 5,913 984 2,584 Acquired in-process research and

development..... -- -- -- -- -- 12,692 Selling, general and administrative..... 262 723 885 2,327 375 3,302 Amortization of intangible assets and goodwill..... -- -- -- -- -- 2,178 Stock option compensation..... -- -- -- 850 398 789 Total operating expenses..... 746 2,814 4,059 9,090 1,757 21,545 Loss from operations... (746) (2,814) (4,059) (9,090) (1,757) (17,720) Other income (expense)..... 123 408 572 582 99 1,324 Loss before provision for income taxes..... (623) (2,406) (3,487) (8,508) (1,658) (16,396) Provision for income taxes..... -- -- -- -- -- 364 Net loss..... $ (623) $(2,406) $(3,487) $(8,508) $(1,658) $(16,760) Basic and diluted loss per common share(1)... $(0.11) $ (0.36) $ (0.52) $ (1.12) $ (0.24) $ (2.06) Weighted average shares used in computing basic and diluted loss per common share(1)... 5,699 6,707 6,716 7,565 6,948 8,139

	December 31,				March 31,
	1996	1997	1998	1999	2000
	(in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and marketable securities....	$4,828	$6,552	$ 7,868	$20,129	$17,503
Working capital.....	4,727	4,023	7,186	19,643	27,409
Total assets.....	5,448	7,744	10,190	22,277	83,867
Long-term debt.....	--	--	--	--	--
Total stockholders' equity.....	5,347	5,215	9,508	21,605	67,141

(1) See Note 2 of our Notes to Consolidated Financial Statements for information concerning the computation of the number of shares used to calculate net loss per common share.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and the notes to those statements that appear elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs, including without limitation forward-looking statements regarding anticipated revenue growth, trends in costs of revenues and operating expenses, international expansion and introduction of additional products. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview

We are a leading RF silicon and systems company, providing high-performance RF tuners and transceivers to the broadband communications markets. We design and develop highly integrated broadband gateway RFICs and modules for use in cable modems, PC/TVs, set-top boxes, cable telephony, digital TV and other consumer electronics devices.

We were incorporated in Texas in May 1996 and commenced operations in August 1996. Prior to the completion of this offering, we will reincorporate in Delaware. Prior to December 31, 1999, our primary activities consisted of raising capital, recruiting RF and analog engineers, developing our broadband RF tuners in silicon and initiating relationships with potential customers and suppliers. In January 2000, we combined with Temic Telefunken Hochfrequenztechnik GmbH (now known as Microtune GmbH), a leader in the design and manufacture of RF tuner and transceiver modules with operations in Germany, the Philippines and the U.S. Since inception we have incurred significant losses, and as of March 31, 2000, we had an accumulated deficit of approximately $31.8 million. As a result of our combination with Temic, our primary activities have expanded to include the design, manufacture and sale of RF modules. Our limited combined operating history makes the prediction of future results of operations difficult, and accordingly, we may not achieve or sustain revenue growth or profitability.

With regard to our RFIC products, our design engineers develop our IC technology. We use IBM to manufacture our wafers and Amkor to assemble our RFICs. We perform final testing, packing and shipping of our RFICs at our facility in Plano, Texas. In 1999, we introduced our first RFIC tuners, the MT2000 series, and produced fully-tested product samples on reference boards for our customers. We began volume production shipments of our latest generation RFIC, the MT203x series, in March 2000. The time lag between product availability and volume shipment can be significant due to a sales process that includes customer qualification of our products and can take as long as two years, during which we continue to evolve our technology. As a result of our combination with Temic, we have broadened our product suite to include RF modules, which generated all of our net revenues on a pro forma basis, approximately $46.8 million for the year ended December 31, 1999. Two of our customers, DaimlerChrysler and ATI Technologies, accounted for approximately 29% and 14% of these revenues, respectively. DaimlerChrysler, ATI Technologies and Motorola/General Instrument accounted for approximately 26%, 10% and 10%, respectively, of our net revenues for the three months ended March 31, 2000. We recognize revenues from our products upon shipment to a customer or upon notification of customer receipt, depending on the contract terms. We provide a one year warranty on all products and record a related provision for estimated warranty costs at the date of sale.

We have invested heavily in research and development of our RFICs and systems technology. We expect to increase our investment in these areas in absolute dollars to further develop our RF solutions. This investment will include the continued recruitment of RF and analog IC designers and systems engineers, acquisition of test, development and production equipment and expansion of facilities for research and manufacturing. As a result, we expect to incur substantial operating losses for the foreseeable future. These losses may increase significantly from current levels.

As a result of our combination, we have recently experienced a period of rapid growth and expansion. To manage this growth and any future growth effectively, we intend to enhance our existing operational and financial systems and hire additional qualified administrative, finance, and information technology personnel. In addition, we expect to move our current corporate headquarters to a new facility during the second half of 2000, which will increase our operating expenses in absolute dollars.

Results of Operations The information included in the following discussion gives the historical information for Microtune, Inc. and does not include the results of Temic for periods prior to our combination with Temic in January 2000. These historical results are not necessarily indicative of the future financial position or results of operations of the combined company.

Comparison of the Three Months Ended March 31, 1999 and 2000.

Net Revenues. Revenues are recorded net of a provision for returns. Our net revenues from the sale of our products were $13.9 million in the three months ended March 31, 2000, primarily as a result of the inclusion of net revenues from the sale of Microtune GmbH products in the three months ended March 31, 2000. In addition, we began shipments of our silicon single chip tuner in the three months ended March 31, 2000. We did not generate net revenues from the sale of our products in the three months ended March 31, 1999. Recent supplier capacity constraints have affected our ability to meet customer demand for our products in the three months ended March 31, 2000. We expect these supplier capacity constraints to continue through the remainder of 2000 and possibly into 2001, and they may adversely affect revenue growth during that time.

Cost of Revenues. Cost of revenues includes the cost of purchases for subcontracted materials, IC assembly, factory labor and overhead and warranty costs. In addition, we perform final testing of our products and incur cost for the depreciation of our test and handling equipment, labor, quality assurance and logistics. We have only recently begun manufacturing our silicon products and as a result expect our costs to decrease as our suppliers and our test personnel develop experience in producing our products. Our subcontracted materials experience cyclical trends in pricing due to fluctuations in demand. In many cases, we do not have written commitments from our suppliers for guaranteed supply. Our cost of revenues in the three months ended March 31, 2000 was $10.1 million, or 72% of net revenues. We did not generate revenues from the sale of products in the three months ended March 31, 1999 and, therefore, did not incur cost of revenues.

Research and Development. Research and development expenses consist of personnel-related expenses, lab supplies, training and prototype subcontract materials. We expense all of our research and development costs in the period incurred. Research and development expenses increased 163% from $1.0 million in the three months ended March 31, 1999 to $2.6 million, or 19% of net revenues, in the three months ended March 31, 2000. This increase primarily reflects our recruiting of engineers and purchases of additional prototype materials associated with the design process. We expect that research and development expenses will increase in absolute dollars in future periods, and may increase or fluctuate significantly as a percentage of total revenues from period to period.

Acquired In-Process Research and Development. As a result of our combination with Temic, we recorded acquired in-process research and development costs of $12.7 million for the three months ended March 31, 2000. Amounts allocated to acquired in-process research and development were expensed at the date of combination because the purchased research and development had not reached technological feasibility based on the status of design and development activities that required further refinement and testing.

Selling, General and Administrative. Selling, general and administrative expenses include our personnel-related expenses for administrative, financial, human resources, marketing and sales, and information technology departments, and include expenditures related to legal, public relations and financial advisors. In addition, these expenses include promotional and marketing costs, and will include sales commissions and reserves for bad debts. Selling, general and administrative expenses increased 781% from $0.4 million in the three months ended March 31, 1999 to $3.3 million, or 24% of net revenues, in the three months ended March 31, 2000. The increase in selling, general and administrative expenses in the three months ended March 31, 2000 primarily reflects the addition of expenses associated with Microtune GmbH operations, professional fees and other expenses incurred in connection with our combination with Temic, and increased sales and marketing expenses as we ramped into production with our silicon products in the three months ended March 31, 2000.

Amortization of Intangible Assets and Goodwill. The amortization of intangible assets and goodwill of $2.2 million in the three months ended March 31, 2000 results principally from our combination with Temic. The combination has been accounted for using the purchase method of accounting. The purchase price allocated to intangible assets of $8.0 million is being amortized over the estimated useful lives of the related assets of one to five years. Goodwill resulting from the transaction totaled $30.0 million and is being amortized over five years. We had immaterial amortization charges in the three months ended March 31, 1999.

Stock Option Compensation. In connection with the granting of stock options to our employees in 1999 and in the three months ended March 31, 2000, we have incurred aggregate stock option compensation of approximately $14.6 million. For accounting purposes, this represents the difference between the deemed fair market value for accounting purposes of the common stock at the date of grant and the exercise price. The aggregate stock option compensation is being amortized over the vesting periods of the related options. As a result, we recorded stock option compensation expense of $0.4 million in the three months ended March 31, 1999 and $0.8 million in the three months ended March 31, 2000. This compensation charge does not affect our total stockholders' equity or cash flows.

Other Income (Expense). Other income (expense) consists of interest income from investment of cash and cash equivalents and foreign currency gains and losses, and other non-operating income and expenses. Interest income increased 179% from $0.1 million in the three months ended March 31, 1999 to $0.3 million in the three months ended March 31, 2000. Interest income is earned from high quality, short-term investments from cash generated by our four private placement equity rounds of funding. The foreign currency translation and transaction gain of $0.9 million in the three months ended March 31, 2000 relates to the operations of Microtune GmbH. We use the German Mark as the functional currency for Microtune GmbH's financial statements. Financial statements of operations of Microtune GmbH outside of Germany are translated into Marks using exchange rates in effect at period end for assets and liabilities and average exchange rates during the period for results of operations. The resulting translation adjustments are included in the results of operations. Adjustments resulting from the translation of the financial statements of Microtune GmbH into U.S. dollars are included as a component of stockholders' equity.

Income Taxes. Prior to our combination with Microtune GmbH, or Temic, we had not recognized any provision for income taxes. We have a net operating loss carryforward for U.S. federal income tax purposes of approximately $14.3 million as of December 31, 1999. In addition, we have unutilized research and development tax credits of $0.4 million. Due to the uncertainty of our ability to utilize these deferred tax assets they have been fully reserved. The provision for income taxes in the three months ended March 31, 2000 consists of foreign income taxes on the income of Microtune GmbH.

Comparison of Years Ended December 31, 1997, 1998 and 1999.

Net Revenues. Our first silicon products were available for evaluation by our customers in 1999. We did not generate net revenues from the sale of our products in 1997, 1998 or 1999.

Cost of Revenues. We did not generate revenues from the sale of products in 1997, 1998 or 1999 and therefore have not incurred cost of revenues.

Research and Development. Research and development expenses increased 52% from $2.1 million in 1997 to $3.2 million in 1998, and 86% to $5.9 million in 1999. These increases primarily reflect our increase of engineering personnel and purchases of additional prototype materials associated with the design process.

Selling, General and Administrative. Selling, general and administrative expenses increased 22% from $0.7 million in 1997 to $0.9 million in 1998, and 163% to $2.3 million in 1999. The 1997 to 1998 increase was primarily due to increased personnel-related costs resulting from the growth of our finance staff and increases in amortization of patent expenditures and financial advisory services for audit and tax planning. The larger increases from 1998 to 1999 were primarily related to our personnel-related expenses in sales and marketing as we prepared for our first half 1999 product announcements and began to develop our direct sales channels and independent sales representative network.

Stock Option Compensation. In connection with the granting of stock options to our employees in 1999, we have incurred aggregate stock option compensation of approximately $3.4 million. As a result, we have recorded stock option compensation expense of $0.9 million in 1999. We did not incur stock option compensation in 1997 or 1998. This compensation charge does not affect our total stockholders' equity or cash flows.

Other Income (Expense). Other income (expense) includes interest income which increased 40% from $0.4 million in 1997 to $0.6 million in 1998. Interest income was flat with $0.6 million in 1998 and 1999.

Income Taxes. Due to our net operating losses, we did not record any provision for income taxes in 1997, 1998 or 1999.

Pro Forma 1999 and Actual 2000 Quarterly Results of Operations The following table sets forth quarterly financial information on a pro forma basis for the year ended December 31, 1999, reflecting our combination with Temic as if the combination had occurred on January 1, 1999, and on an actual basis for the three months ended March 31, 2000. The pro forma information has been derived from

information used to prepare, and should be read in conjunction with, the unaudited pro forma combined condensed statement of operations included elsewhere in this prospectus. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been reported if the combination had occurred as presented in such unaudited pro forma combined condensed statement of operations. The financial information for the three months ended March 31, 2000 has been derived from our unaudited interim financial statements which are included elsewhere in this prospectus. The quarterly results presented below are not necessarily indicative of the results to be expected for any future period.

Pro Forma ---------- Actual March 31, June 30, September 30, December 31, March 31, 1999 1999 1999 1999 2000 (in thousands)

Net revenues.....	$11,069	$11,638	$ 9,880	$14,172	$ 13,896
Cost of revenues.....	6,870	7,042	7,132	10,369	10,071
Gross margin.....	4,199	4,596	2,748	3,803	3,825
Operating expenses:					
Research and development.....	1,815	2,144	2,606	2,508	2,584
Acquired in-process research and development.....	--	--	--	--	12,692
Selling, general and administrative.....	1,836	2,217	2,443	2,672	3,302
Amortization of intangible assets and goodwill.....	2,127	2,177	2,180	2,216	2,178
Stock option compensation.....	602	353	354	361	789
Total operating expenses.....	6,380	6,891	7,583	7,757	21,545
Loss from operations....	(2,181)	(2,295)	(4,835)	(3,954)	(17,720)
Other income (expense)..	905	961	157	879	1,324
Loss before provision (benefit) for income taxes.....	(1,276)	(1,334)	(4,678)	(3,075)	(16,396)
Provision (benefit) for income taxes.....	583	684	(373)	(487)	364
Net loss.....	$(1,859)	$(2,018)	$(4,305)	$(2,588)	$(16,760)

The following table sets forth the quarterly results as a percentage of net revenues:

Pro Forma ---------- Actual March 31, June 30, September 30, December 31, March 31, 1999 1999 1999 1999 2000

Net revenues.....	100%	100%	100%	100%	100%
Cost of revenues.....	62	61	72	73	72
Gross margin.....	38	39	28	27	28
Operating expenses:					
Research and development.....	16	18	26	18	19
Acquired in-process research and development.....					91
Selling, general and administrative.....	17	19	25	18	24
Amortization of intangible assets and goodwill.....	19	19	22	16	16

Stock option compensation.....	5	3	4	3	6
Total operating expenses.....	57	59	77	55	156
Loss from operations....	(19)	(20)	(49)	(28)	(128)
Other income (expense)..	8	8	2	6	10
Loss before provision (benefit) for income taxes.....	(11)	(12)	(47)	(22)	(118)
Provision (benefit) for income taxes.....	5	5	(3)	(4)	3
Net loss.....	(16)%	(17)%	(44)%	(18)%	(121)%

We may from time to time make certain pricing, service or marketing decisions that may adversely affect our profitability in a given three month or annual period. Our expense levels are based in part on expectations of future revenue and, to a large extent, are fixed. We may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall. In addition, we generate a significant portion of our revenues from products that can be cancelled by our customers with little or no notice and without recourse.

Our quarterly pro forma and actual operating results have varied significantly in the past and we expect them to continue to vary on a quarterly basis in future periods. We experience quarterly variations due to various factors including changes in average selling prices, product mix, customer mix and changes in the costs and availability of components and raw materials from our suppliers. In addition, the level of research and development expenditures have in the past, and could in the future, cause quarterly operating results to fluctuate.

Net revenues in the three months ended September 30, 1999 decreased from the three months ended June 30, 1999 due in part to historical seasonality, in particular of our European markets, and because one of our key customers decreased its production during the later part of 1999. Based on current market trends and growth in newly penetrated markets we anticipate that there will not be a similar seasonal effect in the three months ended September 30, 2000. In the three months ended December 31, 1999, our net revenues increased 43% compared to the three months ended September 30, 1999 due to volume increases in our cable modem and PC/TV markets. Our net revenues for the three months ended March 31, 2000 decreased from the fourth quarter of 1999 due to capacity constraints relating to key components of our modules experienced by one of our suppliers. We expect these supplier capacity constraints to continue through the remainder of 2000 and possibly into 2001.

Beginning in the three months ended September 30, 1999, our gross margins decreased as a percentage of net revenues, primarily as a result of initial volume price discounts for key customers and additional incremental factory costs, including training of factory personnel and low yields associated with initial low volume manufacturing as we began producing some of our new products. We expect continued pressure on gross margins as we continue to ramp up our production of our new products and attempt to gain market share in key markets in 2000.

In the three months ended September 30, 1999, our research and development expenses increased primarily due to larger than normal expenses, including purchases of prototype materials and annual bonuses for engineers. In the three months ended March 31, 2000, acquired in-process research and

development reflects the in-process technologies acquired in connection with our combination with Temic.

Our selling, general and administrative expenses for the three months ended March 31, 2000 increased $0.6 million or 24%, due to increased hiring of sales personnel, and transactions costs, including professional services fees and operational costs associated with combining our U.S., German and Philippines operations. We expect that selling, general and administrative expenses will increase as we continue to develop infrastructure.

The amortization of intangible assets and goodwill of $2.2 million results principally from our combination with Temic in January 2000. The combination has been accounted for using the purchase method of accounting. The purchase price allocated to intangible assets of $8.0 million is being amortized over the estimated useful lives of the related assets of one to five years. Goodwill resulting from the transaction totaled $30.0 million and is being amortized over five years.

The decrease of our other income (expense) in the three months ended September 30, 1999 and the increases in the three months ended December 31, 1999 and the three months ended March 31, 2000 are primarily due to fluctuations in currency markets resulting in translation and transaction gains and losses.

Liquidity and Capital Resources Since inception, we have funded our operations primarily through the issuance of convertible preferred stock which has generated net cash proceeds of approximately $34.6 million. As of March 31, 2000, we had net working capital of $27.4 million, including $17.5 million of cash, cash equivalents and marketable securities. Our marketable securities consist of high quality, short-term investments.

Investments in property and equipment were $0.6 million in 1997, $1.5 million in 1998, $0.9 million in 1999 and $1.9 million in the three months ended March 31, 2000. We expect capital expenditures to increase substantially over the next 12 months as we move to a new corporate facility in the second half of 2000 and expand our manufacturing and test capacity to support our anticipated increase in production. Other uses of cash include the funding of operating activities which were $2.3 million in 1997, $2.7 million in 1998, $6.5 million in 1999 and $4.4 million in the three months ended March 31, 2000.

We believe that the net proceeds from this offering, together with our current cash balance will provide adequate liquidity to fund our operations and meet our other cash requirements for at least the next 24 months following this offering. However, we may find it necessary or we may choose to seek additional financing if our investment plans change or if industry or market conditions are favorable for such a financing. We cannot be sure that such financing will be available on reasonable terms, or at all, when and if required. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced.

Quantitative and Qualitative Disclosures About Market Risk Following our combination with Temic, we now transact both sales and purchases in multiple foreign currencies, including the Euro, German Mark and the Philippine Peso. Due to the volatile nature of the currency markets, there is a potential

risk of foreign currency translation losses, as well as gains.

We currently do not use derivative financial instruments to hedge our balance sheet exposures against future movements in exchange rates. However, we are currently evaluating our exchange risk management strategy, including changes in our organizational structure and other capital structuring techniques to manage our currency risk. Our net investment in foreign subsidiaries, translated into U.S. dollars using exchange rates at March 31, 2000 was $48.0 million. A potential loss in the value of this net investment resulting from a hypothetical 10% adverse change in foreign exchange rates would be approximately $4.8 million.

Euro Conversion

On January 1, 1999, 11 European Union member states (Germany, France, the Netherlands, Austria, Italy, Spain, Finland, Ireland, Belgium, Portugal and Luxembourg) adopted the Euro as their common national currency. Until January 1, 2002, either the Euro or a participating country's national currency will be accepted as legal tender. Beginning on January 1, 2002, Euro- denominated bills and coins will be issued, and by July 1, 2002, only the Euro will be accepted as legal tender. We do not expect future balance sheets, statements of operations or statements of cash flows to be materially impacted by the Euro conversion.

Recent Accounting Pronouncements In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which we are required to adopt by January 1, 2001. We do not currently use derivatives, however, as such instruments may be used in the future, it is uncertain what, if any impact the adoption of Statement 133 will have on our earnings or financial position.

Year 2000

We have not incurred any material expense nor have we experienced any material disruptions in our systems or those of our vendors and service providers as a result of Year 2000 system processing.

Business

Overview

We are a leading RF silicon and systems company, providing high-performance RF tuners and transceivers to the broadband communications markets. Using proprietary technologies and advanced design methodologies, we have designed and developed RFICs and RF modules for a variety of broadband communications access devices including cable modems, PC/TVs, which are multimedia personal computers with broadband reception capabilities, set-top boxes and digital TVs. Our RF tuners are the gateway device for reception of video, audio, data and/or voice over existing broadband communications infrastructures, such as cable and terrestrial. Our transceivers enable interactivity by permitting bi-directional communications. Our latest RFIC products offer a high level of integration,

resulting in significant cost, performance, size, reliability and manufacturability benefits. Our RF module products provide a complete RF system, eliminating a customer's need for RF design and manufacturing expertise.

Industry Background

In recent years, there has been dramatic growth in new classes of broadband digital entertainment, information and communications services, such as high- speed Internet access, web-enabled television, digital and high-definition TV and cable telephony. These new services, which are increasingly interactive, involve the delivery of video, audio, data and/or voice to a growing range of access devices, including cable modems, PC/TVs, set-top boxes and digital TVs. In the future, we believe broadband services will increasingly be delivered to mobile wireless devices such as cell phones, personal digital assistants, or PDAs, and in-car information and entertainment systems.

Several significant trends are now influencing the market for broadband entertainment, information and communications services, including:

. the transition from analog to digital content, transmission systems and access devices;

. the transition from proprietary to standards-based systems such as DOCSIS (data over cable service interface specification)-based cable modems, OpenCable set-top boxes and PacketCable telephony devices; and . the convergence of Internet, personal computer and consumer electronics functions.

Many of the new broadband entertainment, information and communications services are transmitted over cable, terrestrial or satellite systems that use the RF spectrum. The RF spectrum is finite and its use is regulated by governmental agencies. Due to the increased demand for services using the RF spectrum, communications providers must use the limited amount of spectrum more efficiently, by using every available channel and by packing data densely within the channels. As a result, broadband communications providers are making the transition to digital techniques because digital allows more efficient use of the limited amount of spectrum than is possible with analog techniques. For example, using digital techniques over cable, it is possible to broadcast two high definition signals or as many as twenty standard definition signals in the same amount of spectrum as a single standard definition signal using analog techniques.

RF tuners are the gateway devices between broadband communications systems and the related access devices. Video, audio, data and/or voice are transmitted through these communications systems at RF frequencies. The RF tuner plays a critical role by extracting content from the desired RF frequency and converting the content into a form that is useable by the access device. In interactive applications where bi-directional communication is necessary, the RF tuner, together with an RF transmitter, acts as a transceiver, both receiving and transmitting RF broadband data.

Every automotive radio, cable modem, set-top box, PC/TV, VCR and TV requires at least one RF tuner. Increasingly, some of these access devices include multiple tuners for enhanced or additional services. Based on market reports from Cahner's Instat Group and Kinetic Strategies, the worldwide demand for RF tuners in these markets could reach 310 million units by 2001.

RF tuner technology is complex and significantly influences overall system performance. Unlike digital circuits, which address stable and predictable inputs and outputs, analog circuits, including RF, must accommodate variable and unpredictable signals. RF tuners are significantly more complex than other analog technologies because they must receive weak signals at very high frequencies in noisy environments. A poorly performing tuner will result in interference that manifests itself in spurious patterns, static and snow in an analog environment, and total loss of signal in a digital environment.

The transition from analog to digital content and the convergence of Internet, PC and consumer electronics functions pose significant challenges that require even more complex, high performance RF tuners. These challenges include:

. more efficiently using the RF spectrum;

. reliably receiving both analog and digital signals;

. handling the increasing bandwidth on broadband cable systems;

. serving many interconnected access devices; and . complying with evolving standards in the broadband markets.

In addition to these performance challenges, RF tuners must maintain a small form factor, have a high level of integration and provide customers rapid time- to-market.

Typical low-cost RF tuners currently used in analog devices, such as TVs and VCRs, fail to meet one or more of these challenges. Typical high performance tuners have generally been prohibitively expensive for RF broadband applications. As a result, there is a demand for a class of cost-effective RF tuners capable of high performance. In addition, we believe the increasing pressures of even higher performance and lower cost, combined with the desirable traits of increased reliability, manufacturability and reduced size, will drive the market toward RF tuner solutions with increasing levels of silicon content.

The Microtune Solution We are a leading RF silicon and systems company focused on delivering RF gateway solutions, including both RF tuners and transceivers, to a range of existing and emerging broadband communications markets. With our unique combination of silicon and systems expertise, we provide complete and cost- effective RF solutions for high performance RF tuner applications. Key features of our solution include:

High Performance Tuning. Our tuner solutions deliver the high performance required to meet the needs of advanced video, audio, data and/or voice applications transmitted via sophisticated broadband communications systems. We believe our tuner solutions provide the following benefits:

. higher channel selectivity by rejecting image and adjacent channel interference, thereby permitting more efficient use of the RF spectrum;

. lower phase noise that allows reliable reception of digital content;

. lower distortion consistent with requirements of a cable system with bandwidth that is fully utilized by concurrent analog and digital broadcasts;

. operation at a higher frequency to fully utilize the available bandwidth of broadband cable systems;

. lower incidence of spurious emissions to enable the interconnection of multiple access devices; and . compatibility with evolving standards, including the stringent performance and functionality requirements of the DOCSIS standard.

IC Tuner Leadership. In January 1999, we introduced our MicroTuner, the world's first single-chip RF tuner. The MicroTuner's high level of integration results in significant cost, performance, size, reliability and manufacturability benefits. We believe that the MicroTuner is the only single- chip tuner to incorporate all of the active elements of an RF tuner solution, including a low noise amplifier, which is critical for system performance. Furthermore, our single-chip tuner incorporates varactors, thereby eliminating the need for a high-voltage power supply. In addition, the MicroTuner has a flexible architecture designed to support multiple broadband communications systems, including analog and digital, cable and terrestrial systems, and future broadband wireless mobile networks. The MicroTuner architecture and the multiple ICs derived from the architecture are protected by 7 issued patents and 12 pending U.S. patent applications.

Unique Combination of RF Silicon and Systems Expertise. We believe that we differentiate ourselves from our competitors by possessing both leading RF silicon and systems expertise. Our silicon expertise allows us to integrate increasing levels of functionality into fewer ICs, resulting in higher performance, smaller tuner solutions. Our RF systems expertise allows us to offer tuner solutions that can be rapidly and cost effectively incorporated into our customers' products and that contribute to optimizing the performance of those products in an RF environment. Therefore, complete RF systems can be provided to customers that do not have the expertise, time or desire to develop their own RF solutions. Our 68 systems and IC engineers possess an average of more than 12 years of experience. Given the complexity of RF tuner design, this combination of silicon and systems expertise allows us to achieve optimal technology integration and provides a complete solution to our customers' demanding and varied needs.

Broad Suite of RF Tuner Solutions. We provide a full range of RF tuner solutions to the broadband communications market with products that support both analog and digital systems. Our portfolio of solutions includes ICs with complete reference designs and manufacturing-ready RF modules, including MicroModules, which contain MicroTuner ICs. We believe our solutions allow our customers to integrate RF capabilities into their products quickly and easily. Our solutions are customized for multiple markets, including the cable modem, PC/TV, set-top box, cable telephony, digital TV and automotive markets. We believe the breadth of our product portfolio allows us to be a sole source provider for our customers and allows them to migrate easily, at their own pace, to silicon-only implementations.

Worldwide Sales, Support and Engineering Infrastructure. We offer our products worldwide and provide our customers with global support. Our corporate headquarters and a major design center are located in Plano, Texas, and our European headquarters and another major design center are located in Ingolstadt, Germany. Sales centers are located in San Diego and San Jose, California, and Huntsville, Alabama with applications support in San Diego and Huntsville.

Captive Module Manufacturing. We currently operate our own manufacturing facilities for assembly, tuning and testing our module products. We have two manufacturing facilities located in Manila, Philippines, one of which is qualified for both QS-9000 and ISO 9002. We are in the process of applying for ISO 9002 certification for our second facility. Our QS-9000 qualified facility allows us to supply RF tuner modules that meet the exacting standards required for automobile-based products, such as the ability to operate in a wide range of temperatures. We are able to leverage our quality manufacturing to benefit all of our customers as well as to win new customers.

Our Strategy

Our goal is to be the leading provider of RF silicon and systems solutions to the broadband communications markets for the delivery of video, audio, data and/or voice to home, office and mobile environments. Key elements of our strategy include the following:

Strengthen And Broaden Broadband RF Technology Leadership. We intend to build on our technology capabilities and strengthen our position as a technology leader in the broadband RF market. As a technology leader supplying complete solutions to RF broadband markets, we believe we can drive the innovation of next-generation technologies for these markets. We are aggressively building on our technology leadership by devoting significant research and development resources to increasing the performance of our products, while simultaneously reducing their power requirements and form factor, and increasing their integration. We have assembled a world-class team of engineers with silicon and systems design expertise in RF and analog technologies, and we intend to expand this team. In addition, we have protected our technology developments with seven U.S. patents issued, the first of which expires in 2015, and with 15 U.S. patent applications pending, as well as 7 foreign patents issued and 6 foreign patent applications pending. We intend to vigorously protect our future innovations through additional patent protection.

Target High Growth Broadband RF Markets. We are currently a market leader in RF gateway solutions to the high growth DOCSIS cable modem and PC/TV markets. We intend to leverage this market leadership and our flexible MicroTuner architecture to penetrate emerging, high growth broadband communications markets, such as the digital set-top box, digital TV and cable telephony markets. Due to our flexible architecture, our RF gateway solutions can extract both digital and analog content and operate in both cable and terrestrial communications systems. As a result, we believe we are well positioned to expand our market leadership to broadband communications opportunities as they emerge. Furthermore, our target markets are transitioning to standards-based systems. Consequently, to be an early provider of standards-compliant RF solutions, we are focusing significant resources on developing products that conform to emerging standards. For example, a majority of the DOCSIS-qualified cable modem manufacturers currently incorporate our RF tuners. We believe that our expertise in the DOCSIS standard will allow us to rapidly deploy products that comply with the emerging standards of OpenCable and PacketCable due to the similarities in the RF requirements of these three standards.

Develop and Expand Relationships with Industry Leaders. We have established relationships with key market and technology leaders within the broadband communications market. Leading equipment suppliers that currently ship products that incorporate our RF solutions include:

. DOCSIS Cable Modem: Arris/Nortel, Askey, Cisco Systems, Motorola/General Instrument, Samsung, Thomson Consumer Electronics and 3Com;

. PC/TV: ATI, Hauppauge, Pinnacle and 3Dfx; and . Automotive: DaimlerChrysler.

In addition to these current customer relationships, we have design wins with suppliers in the set-top box, cable telephony and cable modem markets. We believe our relationships with market leaders enhance the acceptance of our RF solutions and allow us to anticipate market trends to expand our market leadership. Finally, while we design products that can be used by multiple customers, we believe our ability to design custom features based on customers' needs enables our customers to improve their time-to-market, differentiate their products and address new market opportunities. We believe our ability to customize RF solutions allows us to strengthen our relationships with our existing and new customers.

Migrate Existing Customer Base to More Highly Integrated Solutions. We currently have a large base of existing customers in the high growth broadband communications markets incorporating our module solutions. We believe that once a customer designs our solution into its product, that customer is more likely to continue to choose our solutions for their products. As the market requires more integrated solutions to improve cost, size, reliability and manufacturability, we believe that we can leverage our incumbent position with our customers to migrate these customers across our product line. Over time, we intend to transition our customers from module solutions with discrete components to either module solutions incorporating our ICs or to IC-only solutions. By providing identical functionality, as we increase the silicon content, we believe the customer can transition to more integrated solutions with minimal engineering effort. At the same time, more highly integrated solutions reduce our costs and improve our margins.

Markets

While the infrastructure of the broadband communications markets is varied, we leverage our core silicon technologies and systems capabilities in various product implementations across multiple complementary segments, including automotive radio, cable modem, PC/TV, set-top box, VCR and TV. Based on market reports from Cahner's Instat Group and Kinetic Strategies, the worldwide demand for RF tuners in these markets could reach 300 million units by 2001. Many industry analysts predict continued high-growth rates for these markets, even though individual segments are at different phases in their evolution. Specifically, we target existing high-growth segments, such as cable modems and PC/TV, and emerging segments, such as digital TV, set-top boxes and cable telephony. In addition, we target existing high-volume markets such as the automotive market. We believe that these markets demand, or will demand in the future, affordable RF tuner solutions at higher performance levels than previous tuner implementations. These market requirements have created a significant opportunity for our products.

Cable Modem. Major cable operators have been upgrading their networks to support two-way communications, high-speed Internet access, and telecommuting through the use of a cable modem. Paul Kagan Associates estimates that in 2000, 75% of U.S. cable homes will have access to two-way cable, which percentage is expected to grow to 93% by 2003. Cahner's InStat Group estimates that 2.6 million cable modems were sold worldwide in 1999 with more than 5.1 million projected through the first three quarters of 2000. The installed base of cable modem customers in North America alone is expected to reach 15.9 million by 2003, according to the Kinetic Strategies.

In the cable market, factors such as the consolidation of systems operators are driving a transition from proprietary cable modems to open architecture, standards-based devices. The standard, called DOCSIS, enables interoperability between different cable manufacturers' cable modems across different cable networks. Major cable systems operators were offering DOCSIS-based services to 17% of all cable homes passed in North America at the end of 1999, expected to climb 84% by the end of 2003, according to the Kinetic Strategies. Every cable modem must include at least one RF tuner to receive the RF signal from the cable networks. Presently, Microtune provides its RF module solution to multiple DOCSIS-certified cable modem manufacturers.

PC/TV. Microsoft and Intel, through their PC guidelines and other industry initiatives, have outlined rigorous specifications for high-resolution video and audio services on the PC. These specifications reflect an initiative, endorsed by computer OEMs, to transform the PC into a platform for entertainment, information and communications in both the home and office. The power and interactivity of the PC, in combination with new broadcast delivery mechanisms, including digital TV transmission, digital audio broadcast and two- way cable, is expected to drive the demand for new applications and services, and in turn, increase computer sales. With its high-resolution monitor, the PC is already equipped to support the display requirements of digital TV and it provides a low-cost alternative to high-priced digital TV sets and receivers. Cahner's Instat Group predicts that sales of digital TV tuners for PCs will reach 9 million units worldwide by 2004, climbing to more than 15 million units by 2010. We currently supply our RF solutions to PC/TV manufacturers and will seek to migrate our customers to digital television technology.

Set-top Box. According to Cahner's InStat Group the number of worldwide cable subscribers at the end of 1999 was 258 million, and is expected to grow to 335 million by the end of 2003. In order to increase the number of channels, provide higher picture quality and exploit the bandwidth of the existing cable infrastructure, cable service providers have begun offering digital programming. Cahner's InStat Group estimates that major cable system operators are planning to add an average of 15 new 6MHz digital channels to existing cable plants this year, and 18 within the next 24 months. Consumers receive this digital programming through a digital cable set-top box. Cahner's InStat Group predicts that there will be more than 35 million digital cable subscribers worldwide by 2003. The number of cable digital service customers in the U.S. alone is expected to increase to 42.1 million homes by 2006, according to Paul Kagan Associates.

In addition, industry analysts predict that a new generation of digital interactive set-top boxes will be introduced by the end of the year 2000 that will facilitate interactive TV, Internet access, broadband multimedia services and high-definition TV capability. These new set-top boxes, based on OpenCable specifications, will also be interoperable, enabling set-top boxes from multiple manufacturers to operate across different cable networks. Each set-top box contains at least one tuner, and often multiple tuners, for reception of analog and digital signals from the cable network. We are currently working with customers who are developing OpenCable-compliant set-top boxes to supply tuners that meet the RF hardware requirements of the OpenCable specification. In addition, we are working with suppliers of satellite and terrestrial set-top box receivers to incorporate our products.

Cable Telephony. As the availability of bi-directional cable communications becomes more widespread, we expect voice-over-cable will become more readily available as part of a cable operator's service portfolio. Major cable operators, including AT&T and TimeWarner, are beginning to compete with local companies in providing telephone service and other services, such as videoconferencing via the cable infrastructure. Paul Kagan Associates projects 600,000 cable phone subscribers by 2000, reaching 13.8 million subscribers in 2005. The evolving standard, PacketCable, provides the framework for identifying, qualifying and supporting Internet protocol-based voice and video products via the cable network, and it ensures a level of service consistent with that provided by telephone companies. To conform with the PacketCable standard, suppliers must meet two technical challenges: compliance with rigorous industrial-class environmental operating standards and the delivery of a low-power solution. With our QS-9000 certified products that were developed for the automotive industry and our success in developing low power products, we believe that we are well positioned to meet the stringent environmental and power requirements for RF tuners in the PacketCable standard. We are currently working with customers who are developing prototype cable telephony systems to supply RF tuners that meet their performance requirements.

Television. The worldwide infrastructure of traditional TV is undergoing substantial change due to the transition to digital techniques. For example, in the U.S., current FCC regulations, subject to certain exceptions, mandate that all terrestrial broadcast stations in the U.S. convert solely to transmission using digital techniques by 2006. Digital techniques will enable services such as high-definition TV programming, data broadcasting, on-demand programming and interactive TV. New equipment will be required by consumers to receive these new digital services, and this equipment can include digital TVs, digital set- top boxes as well as digital personal video recorders and other TV peripherals. Cahner's InStat Group predicts that the number of digital TV tuners will reach 51 million units worldwide by 2004, climbing to 137 million units by 2010. Paul Kagan Associates predicts that by 2006 there will be more than 31 million digital TV-set households in the U.S., representing 30% of all U.S. TV households, reaching more than 69 million digital TV-set households in 2010 (representing 61% of U.S. TV households). Devices enabling the digital delivery of information require at least one, and often more, RF tuner. In addition, we sell our RF tuner modules in the analog TV market. Because of the high-performance of our tuners, and their ability to reliably receive both digital and analog signals, we believe that our tuners are well positioned to meet both digital and analog TV manufacturers' requirements.

Automotive. Today's consumers are interested in smarter and safer automobiles, and the automotive industry is responding with system upgrades and advanced features, including next-generation digital radio, TV-based entertainment systems, and the integration of networking and communications into the automobile. We believe that these advanced services will lead to increasing demand for high-performance tuner systems based on a new breed of RF tuner technology and architectures. At the same time, the demand for silicon content is increasing as automakers strive to provide more electronic systems to meet automotive space constraints and QS-9000 quality standards, while supporting industrial-class environmental operating conditions. Given our experience in supplying FM and TV tuners to the automotive industry, we believe that we can leverage our position in the tuner market for automobiles into additional opportunities to incorporate our products into other automotive uses of RF technology.

Products

We offer two product classes:

MicroTuners: Single-Chip Broadband Tuners. Our MicroTuner ICs, which constitute the technology centerpiece of our product portfolio, are solid-state dual-conversion tuners that incorporate all the active components associated with receiving a cable or terrestrial signal in the RF spectrum and converting it to a standard intermediate frequency. The MicroTuner offers a very small form factor, suitable particularly for products that require high-performance but have constrained space or that require multiple tuner implementations.

The MicroTuners are characterized by a number of features:

. compatibility with performance requirements of cable and terrestrial environments, meeting the stringent requirements of new broadband applications;

. support for analog and digital modes;

. support for worldwide standards;

. configurable implementation to meet a wide range of applications and customer-customization requirements; and . all-silicon implementation for reliable, stable, predictable operation with lower manufacturing cost.

Modules: Complete, Production-Ready RF Solutions. Our modules are complete, production-ready RF solutions that are available for specific markets, including the cable modem, PC/TV, set-top box, cable telephony, digital TV and automotive markets.

For many years, we have offered modules based on conventional discrete components that offer high-performance RF capabilities and can include additional functions, such as transmission capability enabling bi-directional communications, packaged in a production-ready solution. These modules are based on a single-conversion tuning architecture and offer customization flexibility. We believe that these products, supported by our design and applications engineering centers, have established a track record of reliability, quality and performance.

In March 2000, a new class of modules, called MicroModules, was introduced. The MicroModules, containing the MicroTuner IC, package the complete RF functionality into a small, module form-factor, designed for easy integration and implementation into customers' existing or new systems. These high performance, smaller form factor modules provide increased ease of manufacturability and increased reliability. We have introduced four versions of this product line, targeted to meet the specific requirements of the cable modem, set-top box, digital TV, and PC/TV markets. Over time, we intend to expand the silicon content of the MicroModules and to sell various implementations across all of our target markets.

Our modules are characterized by a number of features:

. complete, fully-tested RF solutions, providing for easy integration into a customer product;

. high-performance tuning capabilities, designed to meet performance requirements of specific applications;

. high quality, with products manufactured to both ISO 9002 and QS-9000 standards;

. compliance with established worldwide industry standards; and . customization capability, allowing our customers to differentiate their products with added functions or unique features.

As part of our RFIC and module product portfolio, we develop and sell reference platforms that represent application examples for incorporation into customers' equipment. By providing these reference platforms, we can assist customers in achieving easier and faster transitions from initial prototype designs to final production releases. These reference-standard products enhance the customer's confidence that our products will meet their market requirements and product introduction schedules.

The following table summarizes our products by target market and availability:

Market Product Name and Description Availability

Cable Modem	Silicon IC	. MicroTuner 2030-CM Single-Chip Tuner	Available Now
	Modules	. MicroModule featuring the MicroTuner 2030-CM	Expected Q4, 2000
		. TM47XX RF Cable Modem RF Tuner Module	Available Now
		. TM49XX Cable Modem Transceiver	Available Now
PC/TV	Silicon IC	. MicroTuner 2032-PC Single-Chip Tuner	Available Now
	Modules	. MicroModule featuring the MicroTuner 2032-PC	Expected Q4, 2000
		. TM40XX PC/TV Module	Available Now
		. TM4040/42 Digital PC/DTV Module	Expected Q3, 2000
		. TM41XX PC/TV Module	Available Now
Set-top Box	Silicon IC	. MicroTuner 2030-STB Single-Chip Tuner	Available Now
	Modules	. MM8838 MicroModule featuring the MicroTuner	Expected Q3, 2000

		2030-STB	
		. TM4041 Digital TV Tuner	Expected Q2, 2000
Cable Telephony	Silicon IC	. MicroTuner for Cable Telephony	Expected 2001
	Modules	. TM4938 Cable Telephony Transceiver Module	Expected Q4, 2000
Television	Silicon IC	. MicroTuner 2032-DTV Single-Chip Tuner	Available Now
	Modules	. MicroModule featuring MT2032-DTV	Expected Q4, 2000
		. TM5000 Analog TV Tuner Module	Available Now
		. TM6000 Analog TV Tuner Module	Available Now
Automotive	Modules	. TM13XX AM/FM Tuner Module	Available Now
		. TM18XX FM Tuner Module	Available Now
		. TM51XX TV Tuner Module	Available Now

Although we anticipate that we will release the products in the table immediately above in the time frame mentioned, the timing and success of product releases remains unpredictable due to the complexity of our product development, the compatibility of our products with the products of our customers and market acceptance of our products. Moreover, once introduced, our products may not generate any significant revenues.

Technology

We believe that one of our competitive advantages is our broad base of core technologies across the range of engineering expertise for RF tuners, from silicon to systems. We strive to continuously improve our technology and to develop new technologies in the area of RF communication. To date, we have developed RF technologies in the area of cable modem transceivers, television tuning systems employed in personal computers, set-top boxes and digital video recorders, automotive radios, and general television tuning technology for terrestrial and cable applications. As of March 31, 2000, we have 7 patents granted and an additional 15 patent applications pending in the U.S. and 7 patents granted and an additional 6 patent applications pending in other countries.

MicroTuner IC. The centerpiece of our technology is our single-chip silicon tuner, the MicroTuner. The MicroTuner is a highly integrated, solid-state device that incorporates all the active components associated with receiving a cable or terrestrial signal in the RF spectrum and converting it to a standard intermediate frequency.

True Single-Chip Implementation. Our technology expertise has allowed us to implement what we believe is the only single-chip tuner, incorporating all of the active elements of an RF tuner solution. Our MicroTuner addresses the especially difficult challenge of integrating the low noise amplifier circuit which is critical for system performance due to its role in defining a receiver's sensitivity. Furthermore, our MicroTuner is the first tuner to incorporate varactors, thereby eliminating the need for a high-voltage power supply.

Dual Conversion Architecture. The MicroTuner uses a patented dual conversion architecture that has been optimized for an integrated circuit implementation. The dual conversion architecture is considered highly desirable because of its performance with respect to image rejection and the accuracy of its output. Traditionally, dual conversion tuners were more expensive than single conversion tuners due to the additional conversion step and were only used in demanding and less cost sensitive applications such as cable set-top boxes. But in the new digital era, higher performance is a common requirement and the characteristics of the dual conversion architecture are ideal.

Programmability. The MicroTuner also provides for substantial flexibility through its programmability. A key part of the reference designs that we develop and provide to customers is a software module. This software provides for common functionality such as channel changing, but also allows flexibility in creating on-chip reference frequencies used for tuning. By providing this flexibility, it is possible to optimize performance on a channel by channel basis. We believe the software also provides a convenient user interface for designers and aids in system diagnostics.

All-Silicon Solution. Traditionally, RFICs have been based on a non- silicon material called gallium arsenide. However, gallium arsenide suffers from two weaknesses: high cost and low integration. Low integration means that few components can be implemented on a single chip. Although silicon germanium has attracted publicity in recent years due to its high performance, to date, it has been available only at a high cost. In contrast, we use an all-silicon chip to combine a high level of integration in our RFICs, several tens of thousands of components on one chip, and low cost. This allows us to provide our customers with cost-effective solutions of small physical size.

High Performance Single Conversion Technology. Traditionally, high- performance applications, such as cable TV tuners, have required performance that was only realizable with a high-cost, dual conversion tuner module composed of several discrete components. We have developed a proprietary design for our single conversion tuner that extends its capabilities into the cable and digital realm. While not offering all of the advanced capabilities of the MicroTuner, the technology gives customers a choice of implementation methods and cost alternatives. This has enabled us to sell reasonably priced RF modules to additional target markets.

Sales, Marketing and Technical Support We have a worldwide sales, marketing and technical support organization consisting of 20 employees as of March 31, 2000, with sales and technical support offices located in Plano, Texas, San Diego and San Jose, California, Huntsville, Alabama, and Ingolstadt, Germany. To complement our direct sales and support expertise, as of March 31, 2000 we had 17 sales representatives and distributors in China (Hong Kong), Denmark, India, Israel, Japan, Korea, Singapore, South Africa, Taiwan, Turkey and the United Kingdom. Products shipped to North America accounted for approximately 46% of our total revenues for 1999 on a pro forma basis and approximately 46% of our net revenues for the three months ended March 31, 2000. In 1999, two customers, DaimlerChrysler Corporation and ATI Technologies, accounted for greater than 10% of our revenues, with approximately 29% and 14% of pro forma net revenues, respectively. For the three months ended March 31, 2000, DaimlerChrysler, ATI Technologies and Motorola/General Instrument accounted for approximately 26%, 10% and 10% of net revenues, respectively.

In addition, our design and applications engineering staff is actively involved with customers during all phases of design and production and provides customer support through our worldwide sales and technical support offices and major design centers in Plano, Texas, and Ingolstadt, Germany. We continue to seek close technical collaboration with our customers during the design phase of their new products to position us as the primary RF solutions supplier for our customers' new products. We also provide technical support to our customers through our field application engineers, technical marketing and factory systems engineers.

We market our products through our web page, industry trade shows and exhibitions, presentations of technical papers at industry meetings and technical articles placed in industry magazines.

Manufacturing

Our manufacturing objective is to produce reliable, high quality ICs and modules while maintaining a high level of on-time delivery to our customers. By utilizing third parties for our wafer fabrication and IC packaging, we are able to focus on module manufacturing and tuning and RF testing of both the ICs and modules.

IC Manufacturing. We currently contract with a third-party silicon foundry, IBM, for our wafer fabrication. However, we are in the process of qualifying a second source third party silicon foundry. Our ICs are currently produced using BiCMOS technology, and we are investigating using more advanced technologies for fabrication of future products that increase the performance of our ICs while reducing die size. Once produced by the third party foundry, the die are then assembled into packages by a third party assembler. Currently, Amkor is our sole source IC assembly subcontractor; however, we have recently identified a second assembly subcontractor with a qualified package, and are continuing to investigate other assembly subcontractors for future use. Once assembled, the packaged units are returned to our Plano, Texas facility for final testing and quality assurance to insure that manufacturability and yield enhancement objectives are met.

Module Manufacturing. We currently operate our own manufacturing facilities for assembly, tuning and testing our module products. We have two manufacturing facilities located in Manila, Philippines, totaling 61,200 square feet of space. One of our locations is qualified for both QS-9000 and ISO 9002. We began manufacturing activities in the other facility in January 2000 and are in the process of applying for ISO 9002 certification for this newer facility.

Module assembly is accomplished using the latest surface mount assembly equipment utilizing 80% surface mount device components. The modules are then tuned and tested using our proprietary test software and equipment.

Quality Assurance. Our quality control process is started during the design phase of each product. Each of our products is designed for testability. During the design phase for each product, we engage in specific layout rules for the product and subject each product to extensive simulation at process, temperature and voltage extremes prior to the product being prototyped. To insure that the highest quality is maintained, our ICs and module prototypes are subjected to extensive reliability testing prior to being released to high volume production. Once a product is qualified and released to

manufacturing, a product-monitoring plan is used to ensure the highest-quality level is maintained. We continue our quality testing process by submitting a statistically valid random sample of finished products to extensive testing on a rotational basis.

Engineering, Research and Development Our engineering team has substantial expertise in communications systems, RFIC technology, analog and mixed signal technology, television systems engineering and PC systems and computer networks. As of March 31, 2000, approximately 42 of our 68 research and development engineers had advanced degrees. These engineers are involved in advancing our technology core competencies and our product development activities. Currently, our research and development efforts are focused on increasing the functions of our RFICs and modules, while maintaining a level of low power consumption.

In 1997, 1998 and 1999 and the quarter ended March 31, 2000, we spent approximately $2.1 million, $3.2 million, $5.9 million and $2.6 million, respectively, on research and development. On a pro forma combined basis in 1999, we spent approximately $21.8 million, which includes $12.7 million of acquired in-process research and development. We believe that we must continually enhance the performance and flexibility of our products, and successfully introduce new products to maintain our leadership position. Accordingly, we expect to continue to expend significant amounts of funds for research and development activities in the future.

Backlog

As of April 14, 2000, our backlog was approximately $40.1 million. We include in backlog all accepted product purchase orders for which delivery has been specified by the customer within six months. Product orders in our backlog are subject to changes in delivery schedules or to cancellation at the option of the purchaser without significant penalty. Our backlog may vary significantly from time to time depending upon the level of capacity available to satisfy unfilled orders. Accordingly, although useful for scheduling production, backlog as of a particular date may not be a reliable indicator of sales in any future period.

Patents and Proprietary Information Our future success and competitive position depend upon our ability to obtain and maintain protection for the proprietary technology used in our products. As of March 31, 2000, we held 7 issued U.S. patents and had 15 additional U.S. patent applications pending, of which a majority of the claims made for three pending applications has been approved, and 7 patents granted and 6 patent applications pending in other countries (which together include over 1,000 individual claims). Our issued patents expire between 2015 and 2019. Our patents and patent applications cover various aspects of our technology at the broad architectural level as well as at the circuit and building block level, including:

. integrated dual conversion tuners;

. multiple phase-locked loops on a single chip;

. synthesizer architecture and fast acquisition time; and . changes to single-conversion tuners required for operating in a cable environment.

We also have one registered trademark in the U.S.

Because it is critical to our success that we are able to prevent competitors from copying our innovations, we intend to continue to seek patent protection for our products. We also rely on trade secret protection for our technology, in part through confidentiality agreements with our employees, consultants and third parties.

To date, although at least one of our customers has received claims of infringement with respect to its product incorporating our RF tuner solution, we have not received any claims that we are infringing any other entity's patents or trade secrets. We may, however, receive such claims in the future, which could severely harm our rights to use our technology and, consequently, our business.

Competition

The broadband communications markets and semiconductor industries are intensely competitive and are characterized by rapid technological change, evolving standards and price erosion. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market.

We believe that we compete primarily on the basis of:

. conformity to industry standards;

. performance relative to price;

. product availability;

. time-to-market;

. quality and reliability;

. adaptability and flexibility to customers' and target markets' requirements;

. customer service and responsiveness;

. level of integration;

. design and engineering capabilities; and . new product innovation.

We believe that we compete favorably against our competitors with respect to these factors.

We compete primarily with tuner manufacturers, such as Alps, Panasonic and Philips Electronics, and potentially with semiconductor companies, such as Broadcom and Conexant, who may produce competitive products in the future. We expect to continue to face competition from these companies and emerging companies developing new technologies that may meet the needs of our customers.

Environmental Matters International, federal, state and local requirements relating to the discharge of substances into the environment, the disposal of hazardous wastes and other activities affecting the environment may have an impact on our manufacturing operations. To date, compliance with environmental requirements and resolution of environmental claims have been accomplished without material effect on our liquidity or capital resources.

Facilities

Our principal administrative, sales, marketing, research and development and final testing facility is located in a building of approximately 20,000 square feet in Plano, Texas. This facility is leased through August 2003. We expect that this facility will not be sufficient to meet our needs by the end of 2000, and we expect to relocate our Texas operations to a new facility located in Plano in late 2000. We also maintain an administrative, sales, marketing, research and development office of approximately 25,000 square feet in Ingolstadt, Germany, which is leased through December 2021. In addition, we lease sales and technical support offices in San Diego and San Jose, California, and Huntsville, Alabama.

Our manufacturing facilities are located in two buildings covering approximately 25,200 and 36,000 square feet, respectively, located in Manila, Philippines. Our leases for these properties expire in December 2000 and November 2004, respectively. We are currently negotiating for an extension of our lease that expires in December 2000. We believe that we will be able to obtain this extension. We believe that our existing manufacturing facilities require additional expansion, which expansion is not expected to be completed in 2000.

Employees

As of March 31, 2000, we had 125 employees worldwide (excluding our manufacturing personnel in the Philippines), with 76 people in research and development, 20 people in sales and marketing, 16 people in operations and 13 people in administration. In addition, as of March 31, 2000, we employed 1,251 people in our manufacturing facilities in Manila, Philippines, 956 of whom are represented by a union. We believe that our future success will depend in part upon our continued ability to attract and retain qualified personnel. We consider our relations with our employees to be good. As of December 31, 1999, the union contract for our unionized employees expired. We are currently renegotiating this contract. We do not believe that any union contract will have a significant impact on our ability to manufacture our modules or on our costs of manufacturing.

Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our ordinary course of business. We are not currently a party to any material litigation.

Management

Executive Officers and Directors The following table sets forth information with respect to our executive officers and directors as of March 31, 2000:

Name Age Position

Douglas J. Bartek..... 50 Chief Executive Officer and Chairman Martin Englmeier..... 48 Vice Chairman of Microtune, Inc. and Managing Director of Microtune GmbH James A. Fontaine..... 42 President Everett (Buddy) Rogers..... 43 Chief Financial Officer and Vice President of Finance and Administration John P. Norsworthy..... 43 Chief Technical Officer Thomas K. Widmer..... 40 Vice

President of Marketing Albert H. Taddiken..... 36 Vice President of IC Engineering S. Vincent Birleson..... 53 Vice President of Systems Engineering William E. Basso..... 38 Vice President of Manufacturing Tamara G. Mattison..... 40 Vice President and General Counsel Harvey B. (Berry) Cash..... 61 Director Walter S. Ciciora..... 57 Director James H. Clardy..... 65 Director Kenneth G. Langone..... 64 Director Philippe von Stauffenberg.... 35 Director Lawrence D. Stuart, Jr..... 55 Director William P. Tai..... 37 Director Douglas J. Bartek cofounded Microtune in May 1996 and has served as Chief Executive Officer and Chairman since that time. From April 1992 to May 1996, Mr. Bartek held various positions with Cirrus Logic, Inc., a semiconductor company, most recently as a Division President. Mr. Bartek also serves as a director of several privately held companies. Mr. Bartek holds a B.S. in electrical engineering from The University of Texas at Austin and an M.S. in engineering and computer science and an M.B.A. from Arizona State University.

Martin Englmeier joined Microtune as Vice Chairman and Managing Director of Microtune GmbH in January 2000 at the time of our combination with Temic Telefunken Hochfrequenztechnik GmbH. Since 1974, Mr. Englmeier has been with Temic and its predecessor companies, in various positions, most recently as Managing Director of Temic. Mr. Englmeier holds a Dipl. Ing. (TU) from the Technical University in Munich, Germany.

James A. Fontaine joined Microtune in August 1998 as Executive Vice President of Sales and Marketing and was promoted to President in February 1999. From October 1997 to July 1988, Mr. Fontaine was President of Sentient Communications, Inc. a provider of telephone line interface solutions for the analog modem and xDSL markets, and from December 1996 to September 1997, he was a principal at The Fontaine Group & Gabriel Ventures, a provider of consulting services and funding to start-up high technology companies. From March 1995 to December 1996, Mr. Fontaine was with Cirrus Logic, Inc., a semiconductor company, in various positions, most recently as the Vice President of Marketing of Graphics Products. Mr. Fontaine holds a B.S. in electrical engineering from Marquette University.

Everett (Buddy) Rogers joined Microtune in January 1998 and has served as Vice President of Finance and Administration since that time. In January 2000, he was also named Chief Financial Officer. From January 1997 to January 1998, Mr. Rogers was Director of Finance of Cypress Semiconductor, Inc., a semiconductor company. From October 1993 to December 1996, Mr. Rogers was Division Controller of Crystal Semiconductor, Inc., a semiconductor company. Mr. Rogers holds a B.S. in business administration from Kentucky Wesleyan College and an M.B.A. in international marketing from Huron University, London, England.

John P. Norsworthy cofounded Microtune in May 1996 and has served as Chief Technical Officer since that time. From June 1991 to May 1996, Mr. Norsworthy was Vice President of Pixel Semiconductor, Inc., a semiconductor company and wholly owned subsidiary of Cirrus Logic, Inc. Mr. Norsworthy holds a B.S. in electrical engineering from University of Illinois.

Thomas K. Widmer joined Microtune in January 2000 when we acquired The Tuner Company (formerly known as Temic Telefunken RF-Technologies, Inc.) and has served as Vice President of Marketing since that time. From April 1998 to December 1999, Mr. Widmer was President of The

Tuner Company, a sales distribution company for Temic Telefunken Hochfrequenztechnik GmbH, and from April 1994 to March 1998, he was Director of the Technical Support Center for Temic Telefunken Hochfrequenztechnik GmbH. Mr. Widmer holds a Dipl. Ing. (FH) from Fachhochschule in Munich, Germany.

Albert H. Taddiken joined Microtune in November 1996 as Director of RFIC Development, and was named Vice President of IC Engineering in April 1998. From May 1983 to October 1996, he held various positions with Texas Instruments, Inc., a semiconductor and electronics company, serving most recently as RFIC Design Manager for Transmitters and PLLs and Member, Group Technical Staff. Mr. Taddiken holds a B.S. in electrical engineering from Massachusetts Institute of Technology.

S. Vincent Birleson began working with Microtune as a consultant in December 1996, joined Microtune as Director of Systems Engineering in July 1997, and was named Vice President of Systems Engineering in February 1999. From September 1968 to December 1996, he held various positions with Texas Instruments, Inc., a semiconductor and electronics company, serving most recently as a TI Fellow. Mr. Birleson holds a B.S. in electrical engineering from University of Michigan.

William E. Basso joined Microtune in August 1998 as Director of Manufacturing, and was named Vice President of Manufacturing in January 2000. From January 1998 to August 1998, Mr. Basso was Director of Operations of Sentient Communications, a telecommunications company. From January 1984 to January 1998, he held various positions with SGS-Thomson Microelectronics, an electronics company, serving most recently as Senior Engineering Manager. Mr. Basso holds a B.S. in electrical engineering from Clemson University and an M.B.A. from University of Dallas.

Tamara G. Mattison joined Microtune in February 2000 and has served as Vice President and General Counsel since that time. From June 1998 to February 2000 and from February 1995 to September 1997, Ms. Mattison was an attorney with Wilson Sonsini Goodrich & Rosati, Professional Corporation. From October 1997 to June 1998, she was an attorney with Wolin, Ridley and Miller. Ms. Mattison has a B.B.A. degree in accounting and economics from University of Wisconsin-- Eau Claire, an M.M. from Northwestern University's J.L. Kellogg Graduate School of Management and a J.D. from Northwestern University School of Law.

Harvey B. Cash became a director of Microtune in August 1996. Mr. Cash has been a general partner of InterWest Partners, a venture capital firm, since 1986, and is an advisor to Austin Ventures, a venture capital firm. He also currently serves on the Board of Directors of Ciena Corporation, a designer and manufacturer of multiplexing systems for fiber optic networks, Liberte Investors Inc., an investment company, Panja, Inc., a provider of electronic information integration equipment, i2 Technologies, Inc., a provider of marketplace services, Silicon Laboratories Inc., an IC company, and several privately held companies. Mr. Cash holds a B.S. in electrical engineering from Texas A&M University and an M.B.A. from Western Michigan University.

Walter S. Ciciora became a director of Microtune in November 1996. Mr. Ciciora has been an independent consultant for companies in the cable, television, consumer electronics and telecommunications industries since October 1993. Mr. Ciciora holds a B.S., M.S. and Ph.D. in

electrical engineering from the Illinois Institute of Technology and an M.B.A. from the University of Chicago.

James H. Clardy became a director of Microtune in August 1996. Mr. Clardy has been a venture partner of Austin Ventures, a venture capital firm, since January 1998. From October 1997 to January 1998, Mr. Clardy was a private consultant, and from October 1991 until October 1997, he was President of Crystal Semiconductor, a wholly owned subsidiary of Cirrus Logic, Inc. He currently serves on the Board of Directors of several privately held companies. Mr. Clardy holds a B.S. in electrical engineering from University of Tennessee.

Kenneth G. Langone became a director of Microtune in November 1996. Since 1974, Mr. Langone has been Chairman of the Board, Chief Executive Officer and President of Invemed Associates, Inc., a New York Stock Exchange member firm engaged in investment banking and brokerage. He is one of the co-founders of The Home Depot, Inc., a chain retail building supplies store, and has been a director of that company since 1978. He also serves as a director of the New York Stock Exchange, Inc., a stock exchange, General Electric Company, a multinational conglomerate, Unifi, Inc., a provider of facsimile transmission delivery services, DBT Online, Inc., a provider of online public records data, and Tricon Global Restaurants, Inc., a food services company. Mr. Langone is also a director of several privately held companies and serves on the boards of a number of national charitable, civic and educational organizations. Mr. Langone holds a B.A. in political science and economics from Bucknell University and an M.B.A. from New York University.

Philippe von Stauffenberg became a director of Microtune in January 2000. Mr. von Stauffenberg has been a principal of Hicks, Muse, Tate & Furst Incorporated, a private investment firm since January 1999. From January 1996 to December 1998, he was the Chairman and Chief Executive Officer of Heitmann International, a technical documentation and translation company. From September 1992 to December 1995, Mr. von Stauffenberg was an associate at E.M. Warburg Pincus & Co., a private equity company. Mr. von Stauffenberg also serves on the Board of Directors of several privately held companies. Mr. von Stauffenberg holds a B.A. in economics and an M.A. in history from Harvard University and an M.B.A. from Harvard Business School.

Lawrence D. Stuart, Jr. became a director of Microtune in January 2000. Mr. Stuart has been a partner of Hicks, Muse, Tate, & Furst Incorporated, a private investment firm, since October 1995. From August 1988 to September 1995, Mr. Stuart was an attorney with Weil, Gotshal & Manges, LLP, most recently serving as Managing Partner. Mr. Stuart also serves on the Board of Directors of AMFM Inc., a radio broadcasting company, Home Interiors & Gifts, Inc., a direct seller of home decorative accessories, and several privately held companies. Mr. Stuart holds a B.A. in Economics and a J.D. from Southern Methodist University.

William P. Tai became a director of Microtune in June 1998. Mr. Tai has been a general partner of Institutional Venture Partners, a venture capital firm, since July 1997. From August 1995 to February 1998, Mr. Tai served as founder and Chairman of the Board, until July 1997, of iAsiaWorks, Inc., a pan-Asian Internet solutions provider. From September 1991 to July 1997, Mr. Tai was affiliated with the Walden Group of Venture Capital Funds, a venture capital firm. Mr. Tai also serves on the Board of

Directors of Netergy Networks, Inc., a provider of IP telephony solutions, and several privately held companies including iAsiaWorks, Inc., Chemconnect Inc. and Transmeta Corp. Mr. Tai holds a B.S. in electrical engineering from University of Illinois and an M.B.A. from Harvard University.

Board Composition

Our Board of Directors currently consists of ten directors. In accordance with the terms of our Restated Certificate of Incorporation, the terms of office of the members of the Board of Directors are divided into three classes: Class I, whose term will expire at the annual meeting of stockholders to be held in 2001, Class II, whose term will expire at the annual meeting of stockholders to be held in 2002, and Class III, whose term will expire at the annual meeting of stockholders to be held in 2003. The Class I directors are Messrs. Cash, Ciciora and Langone, the Class II directors are Messrs. Englmeier, Norsworthy and von Stauffenberg, and the Class III directors are Messrs. Bartek, Clardy, Stuart and Tai. At each annual meeting of stockholders after the initial classification, the successors to the directors whose term will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. In addition, our Amended and Restated Bylaws provide that the authorized number of directors may be changed only by resolution of the Board of Directors. Any additional directorships resulting from an increase in the number of directors may be changed only by resolution of the Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. This classification of the Board of Directors may have the effect of delaying or preventing changes in our control or management.

Each officer is appointed by, and serves at the discretion of, the Board of Directors. Each of our officers and directors, other than non-employee directors, devotes full time to our affairs. Our non-employee directors devote such time to our affairs as is necessary to discharge their duties.

Board Committees

The Audit Committee reviews our audited financial statements and accounting practices, and considers and recommends the employment of, and approves the fee arrangements with, independent accountants for both audit functions and for advisory and other consulting services. The current members of the Audit Committee are Messrs. Clardy, Langone and Stuart.

The Compensation Committee reviews and approves the compensation and benefits for our key executive officers, administers our employee benefit plans and makes recommendations to the Board of Directors regarding grants of stock options and any other incentive compensation arrangements. The current members of the Compensation Committee are Messrs. Cash and Ciciora.

Compensation Committee Interlocks and Insider Participation None of our executive officers serves on the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Director Compensation Non-employee directors are reimbursed for their reasonable travel expenses in attending meetings of our Board of Directors. Prior to the completion of this offering, non-employee directors were eligible to receive options under our 1996 Stock Option Plan and, effective upon

consummation of this offering, they will be eligible to be granted options under our 2000 Director Option Plan.

Change of Control Arrangements/Employment Agreements Shares subject to options granted under our 1996 Stock Option Plan generally vest over five years, with 20% of the shares vesting after one year and the remaining shares vesting in monthly installments over the next 48 months. We have approved option agreements for some of our key employees that provide for variations in our standard vesting and for accelerated vesting of a portion of the employees' unvested option shares if the employee is terminated without cause by the surviving corporation following a "change of control." A "change of control" is defined in the respective employee's option agreement, but typically is defined to mean the sale of all or substantially all of our assets, or the acquisition of us by another entity by means of consolidation or merger pursuant to which our then current stockholders shall hold less than 50% of the voting power of the surviving corporation.

Agreement with Douglas J. Bartek On March 23, 2000, we entered into an employment agreement with Douglas J. Bartek, our chief executive officer and chairman of our board of directors. This agreement provides for an initial term of three years and an initial base annual salary of $150,000. In addition, he is entitled to participate in employee benefit plans for which other senior executives are generally eligible. Mr. Bartek is eligible for an annual discretionary bonus as determined by our board of directors.

Under the terms of the employment agreement, Mr. Bartek may not terminate his employment prior to March 23, 2003, except for certain reasons enumerated in the agreement, including:

. a reduction in his compensation or benefits that is not part of a generally applicable reduction for all of our executives, . a material demotion in his responsibilities or duties, . a relocation of his workplace to a place more than 50 miles from Dallas, Texas, or . a material breach of the agreement by us.

We may terminate Mr. Bartek's employment at any time with 30 days notice, but if we terminate his employment without cause, or if there is constructive termination, he is entitled to receive his base annual salary plus the highest bonus paid to him in the three years prior to his termination. He is also entitled to receive any and all employee benefits for two years from the date of termination. In addition, any stock options and stock subject to repurchase rights held by him that would have vested during the salary continuation period will fully vest upon termination.

If Mr. Bartek's employment is terminated within two years of the date that we experience a change in control, as defined in the agreement, he shall be entitled to receive a lump sum severance payment equal to two times the sum of his base annual compensation plus the highest bonus paid to him in the three years prior to the change in control. All unvested stock options will immediately vest upon such termination, and he will continue to receive any and all employee benefits for 24 months. Mr. Bartek has agreed not to compete with us and not to solicit our customers or employees for a period of three years from the date of the termination of his employment.

Agreement with James A. Fontaine Mr. James Fontaine entered into an employment agreement with us on August 1, 1998. Mr. Fontaine's initial base annual salary was set at a rate of $150,000, and he is eligible for an annual discretionary bonus as determined by our Board of Directors. If Mr. Fontaine's employment is terminated by us without cause prior to August 1, 2000, then we are obligated to continue paying Mr. Fontaine's salary and benefits for an additional six months. In addition, Mr. Fontaine agreed not to compete with us for 12 months following the termination of his employment, and not to solicit our customers or employees for 24 months following the termination of his employment, with limited exceptions.

Agreement with John P. Norsworthy Under an employment agreement dated August 8, 1996, John P. Norsworthy agreed to hold the position of Founder and Chief Technology Officer of Microtune at an initial base annual salary of $150,000. Mr. Norsworthy is eligible for an annual discretionary bonus as determined by our Board of Directors. If Mr. Norsworthy's employment is terminated by us without cause prior to August 8, 2001, then we are obligated to continue paying Mr. Norsworthy's salary, bonus and benefits for an additional twelve months. In addition, options granted to him under the Stock Option Plan, if any, will continue to vest during the salary continuation period.

If Mr. Norsworthy's employment is terminated within two years of the date that we experience a change in control, as defined in the agreement, he shall be entitled to receive a lump sum severance payment equal to two times the sum of his base annual compensation plus the highest bonus paid to him in the three years prior to the change in control. All unvested stock options would be deemed fully vested and would be fully exercisable subject to certain U.S. securities laws. He would also continue to be indemnified pursuant to our Certificate of Incorporation. Mr. Norsworthy agreed not to compete with us and not to solicit our customers or employees prior to August 8, 2001.

Executive Compensation The following summary compensation table sets forth the compensation paid to our Chief Executive Officer and our next four most highly compensated executive officers, during the fiscal year ended December 31, 1999 (collectively, the "Named Executive Officers"):

Summary Compensation Table

			Long-Term	
	Annual		Compensation	
	Compensation		Awards	
			Securities	
			Underlying	All Other
Name and Principal Position	Salary	Bonus	Options(1)	Compensation(2)

Douglas J. Bartek..... $146,551 -- 350,000 $319 Chairman and Chief Executive Officer James A. Fontaine..... 149,600 -- 300,000 199 President John P. Norsworthy..... 148,200 -- 100,000 193 Chief Technical Officer S. Vincent Birleson..... 149,313 -- 60,000 603 Vice President of Systems Engineering William E. Basso..... 109,875 $12,000 32,000 72 Vice President of Manufacturing (1) All options granted pursuant to the 1996 Stock Option Plan permit early exercise and shares obtained pursuant thereto are subject to rights of repurchase in our favor pending full vesting according to their respective schedules. (2) These amounts consist solely of reimbursement for life insurance premiums paid by us for each employee.

Option Grants in Last Fiscal Year The following table sets forth information with respect to stock options granted to each of the Named Executive Officers during the fiscal year ended December 31, 1999:

Option Grants in Last Fiscal Year

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation over Option Term(2) 5%	10%
Douglas J. Bartek(3)....	350,000	16.2%	$0.688(6)	06/01/09	$1,127,471	$1,937,944
James A. Fontaine(4)....	300,000	13.9%	0.375(7)	01/27/09	473,902	821,247
John P. Norsworthy(5)...	100,000	4.6%	0.625(6)	06/01/09	328,435	559,998
S. Vincent Birleson(4)..	60,000	2.8%	0.375(7)	01/27/09	94,780	164,249
William E. Basso.....	22,000	1.0%	0.625(6)	06/01/09	72,256	123,200
	10,000	0.5%	0.375(6)	02/01/09	35,343	58,500

(1) All options were granted under our 1996 Stock Option Plan. Except as set forth below, options granted under the 1996 Stock Option Plan vest over a five-year period with 20% vesting at the first anniversary date of the vesting commencement date and the remaining shares vesting in monthly installments over the next 48 months. The Board of Directors retains discretion to modify the terms, including the price and exercisability, of outstanding options.

(2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The potential realizable values have been calculated using the deemed fair value of the common stock as of the date of grant. The assumed 5% and 10% annual rates of stock price appreciation from the date of grant to the end of the option term are provided in accordance with rules of the Securities and Exchange Commission and do not represent our estimate or projection of the future common stock price. Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock, overall market conditions and the option holders' continued employment through the vesting period. This table does not take into account any actual appreciation in the price of the common stock from the date of grant to the present.

(3) This option vests as to 1/7 of the shares subject to the option on October 19, 2000 and an additional 1/7 of the shares subject to the option at the end of each six month period thereafter.

(4) These options vest upon the completion of milestones established by us. As of December 31, 1999, none of these milestones had been deemed met.

(5) This option vests as to 1/2 of the shares on each of September 1, 2001 and 2002.

(6) The deemed fair value of the common stock as of the date of grant of these options was $2.40.

(7) The deemed fair value of the common stock as of the date of grant of these options was $1.20.

Aggregate Option Exercises and Option Values The following table sets forth certain information regarding exercised stock options during the fiscal year ended December 31, 1999, and unexercised options held as of December 31, 1999 by each of the Named Executive Officers. The Named Executive

Officers exercised options in 1999 as follows:

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise of Options	Value Realized for Exercised Options(3)	Number of Securities Underlying Unexercised Options at Fiscal Year-End(1) Exercisable	Number of Securities Underlying Unexercised Options at Fiscal Year-End(1) Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End(2) Exercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End(2) Unexercisable
Douglas J. Bartek.....	--	--	5,000	350,000	$10,350	$599,200
James A. Fontaine.....	--	--	--	300,000	--	607,500
John P. Norsworthy.....	--	--	--	100,000	--	177,500
S. Vincent Birleson.....	66,680	$55,011	30,006	163,314	68,264	356,537
William E. Basso.....	14,500	25,738	833	66,667	1,687	129,501

(1) All options were granted under our 1996 Stock Option Plan. Our Board of Directors retains discretion to determine the terms, including the price and exercisability of outstanding options. (2) Calculated on the basis of the deemed fair market value of the underlying shares as of December 31, 1999 of $2.40 per share, minus the per share exercise price, multiplied by the number of shares underlying the option. (3) Calculated on the basis of the deemed fair market value of the underlying shares as of the date of exercise of the options, minus the per share exercise price, multiplied by the number of shares underlying the option.

Stock Plans

1996 Stock Option Plan. Our 1996 Stock Option Plan was adopted by our Board of Directors and approved by our stockholders in August 1996. Our 1996 Stock Option Plan provides for the grant of incentive stock options, which may provide for preferential tax treatment, to our employees, and for the grant of nonstatutory stock options and stock purchase rights to our employees and directors. We have reserved an aggregate of 19,704,310 shares of our common stock for issuance under this plan. As of March 31, 2000, 6,537,768 shares had been issued pursuant to the exercise of options and stock purchase rights, options to purchase 7,130,116 shares of common stock were outstanding and 6,040,426 shares were available for future grant. We will not grant any additional stock options under our 1996 Stock Option Plan although options granted under the 1996 Stock Option Plan will remain outstanding in accordance with their terms. Instead, upon approval of our stockholders, the shares available for issuance under the 1996 Stock Option Plan will be assumed under our 2000 Stock Plan, and we will grant all future options under that stock plan.

Options to Purchase Series E Preferred Stock. In connection with our combination with Temic, we granted to three employees in Germany options to purchase an aggregate of 330,000 shares of Series E preferred stock, which shares are convertible into an aggregate of 660,000 shares of our common stock. These options are exercisable at a per preferred share purchase price of $16.00, have the same terms and provisions as the options granted under our 1996 Stock Option Plan and vest over a five year period.

2000 Stock Plan. Our 2000 Stock Plan was adopted by our Board of Directors on March 23, 2000, and we have submitted the 2000 Stock Plan to our stockholders for approval. The 2000 Stock Plan provides for the grant of incentive stock options to our employees and nonstatutory stock options and

stock purchase rights and common stock equivalents to our employees, directors and consultants. The number of shares reserved for issuance pursuant to our 2000 Stock Plan equals any shares of common stock that were reserved but unissued under our 1996 Stock Option Plan and any shares that are subsequently returned to the 1996 Stock Option Plan as a result of termination of options or our repurchase of shares issued under the 1996 Stock Option Plan. No options have yet been issued pursuant to the 2000 Stock Plan. The number of shares reserved for issuance under our 2000 Stock Plan will increase annually on January 1st of each calendar year, effective beginning in 2001, equal to the lesser of:

. 5% of the outstanding shares of our common stock on the first day of the year;

. 3,000,000 shares of our common stock; or . such lesser amount as our Board of Directors may determine.

However, there shall be no annual increase in the number of shares available under the 2000 Stock Plan in the event that the increase plus any annual increases under our other employee and director stock plans would be greater than 30% of the total outstanding shares of our stock unless otherwise approved by our Board of Directors.

The Compensation Committee or our Board of Directors administers the 2000 Stock Plan. The administrator has the power to determine the terms of the options, stock purchase rights or common stock equivalents granted, including the exercise price, the number of shares subject to each option, stock purchase right or common stock equivalent, the exercisability of the options and the form of consideration payable upon exercise. The administrator determines the exercise price of options, restricted stock awards or common stock equivalents granted under our 2000 Stock Plan, but with respect to incentive stock options, the exercise price must at least be equal to the fair market value of our common stock on the date of grant. Additionally, the term of an incentive stock option may not exceed ten years. The administrator determines the term of all other options, restricted stock awards or common stock equivalents. The 2000 Stock Plan generally does not allow for the transfer of options or stock purchase rights and only the optionee may exercise an option, stock purchase right or common stock equivalent during his or her lifetime.

No optionee may be granted an option to purchase more than 500,000 shares in any fiscal year. In connection with his or her initial service, an optionee may be granted an additional option to purchase up to 1,000,000 shares of our common stock. After termination of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. If termination is due to death or disability, the option will generally remain exercisable for 12 months following such termination. In all other cases, the option will generally remain exercisable for two months. However, an option may never be exercised later than the expiration of its term.

The administrator determines the number of and exercise price of stock purchase rights granted under our 2000 Stock Plan. Unless the administrator determines otherwise, the restricted stock purchase agreement will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the purchaser's service with us for any reason (including death or disability). The purchase price for shares we repurchase will generally be the original price paid by the purchaser.

The administrator determines the number of common stock equivalents that will be awarded to any particular employee, director or consultant. Upon exercise of a common stock equivalent, we will deliver to the awardee a number of shares of our common stock equal to the number of common stock equivalents in the awardee's book account as of such date.

The 2000 Stock Plan provides that in the event of our merger with or into another corporation or a sale of all or substantially all of our assets, the successor corporation will assume or substitute for each option, stock purchase right or common stock equivalent. If the outstanding options, stock purchase rights or common stock equivalents are not assumed or substituted for, all outstanding options, stock purchase rights or common stock equivalents will become immediately vested and exercisable as of the closing of such merger or sale of assets. The 2000 Stock Plan will automatically terminate in 2010, unless we terminate it sooner. In addition, our Board of Directors has the authority to amend, suspend or terminate the 2000 Stock Plan provided it does not adversely affect any option previously granted under our 2000 Stock Plan.

2000 Director Option Plan. Our Board of Directors adopted the 2000 Director Option Plan, referred to as the Director Plan, in March 2000, and has submitted the Director Plan to our stockholders for approval. The Director Plan provides for the periodic grant of nonstatutory stock options to our non-employee directors. A total of 150,000 shares was reserved for issuance under the Director Plan, none of which was issued and outstanding. In addition, our Director Plan provides for annual increases in the number of shares available for issuance under the Director Plan on January 1st of each year, beginning in 2001, equal to the lesser of:

. 1% of the outstanding shares of our common stock on the first day of the calendar year;

. 75,000 shares of our common stock; or . such other lesser amount as may be determined by our Board of Directors.

However, there shall be no annual increase in the number of shares available under the Director Plan in the event that the increase plus any annual increases under our other employee and director stock plans would be greater than 30% of the total outstanding shares of our stock, unless otherwise approved by our Board of Directors. All grants of options to our non-employee directors under the Director Plan are automatic. We will grant each new non- employee director elected or appointed after the effective date of the Director Plan an option to purchase 10,000 shares when such person first becomes a non- employee director (except for those directors who became non-employee directors by ceasing to be employee directors). All non-employee directors who have been directors for at least six months receive an option to purchase 5,000 shares on the date of our annual stockholders' meeting of each year. All options granted under our Director Plan have a term of ten years and an exercise price equal to the fair market value on the date of grant. Each initial option becomes exercisable as to 33 1/3% of the shares subject to the option on the first three anniversaries of the date of grant and each subsequent option becomes exercisable as to 50% of the shares subject to the option on the first and second anniversary of the date of grant, provided the non-employee director remains a director on such dates. After termination as a non-employee director with us, an optionee must exercise an option at the time set forth in his or her option agreement. If termination is due to death or disability, the

option will remain exercisable for 12 months. In all other cases, the option will remain exercisable for a period of three months. However, an option may never be exercised later than the expiration of its term.

A non-employee director may not transfer options granted under our Director Plan other than by will or the laws of descent and distribution. Only the non- employee director may exercise the option during his or her lifetime. In the event of our merger with or into another corporation or a sale of all or substantially all of our assets, the successor corporation will assume or substitute each option. If such assumption or substitution occurs, the options will continue to be exercisable according to the same terms as before the merger or sale of assets. Following such assumption or substitution, if a non-employee director is terminated other than by voluntary resignation, the option will become fully vested and exercisable and generally will remain exercisable for a period of three months. If the outstanding options are not assumed or substituted for, our Board of Directors will notify each non-employee director that he or she has the right to exercise the option as to all shares subject to the option for a period of 30 days following the date of the notice. The option will terminate upon the expiration of the 30-day period.

Unless terminated sooner, our Director Plan will automatically terminate in 2010. Our Board of Directors has the authority to amend, alter, suspend or discontinue the Director Plan, but no such action may adversely affect any grant made under the Director Plan.

Employee Stock Purchase Plan. Concurrently with this offering, we intend to establish an employee stock purchase plan, referred to as the "Purchase Plan". A total of 400,000 shares of our common stock will initially be made available for sale under the Purchase Plan. In addition, our Purchase Plan provides for annual increases in the number of shares available for issuance thereunder on January 1st of each year, beginning in 2001, equal to the lesser of:

. 2% of the outstanding shares of our common stock on the first day of the calendar year;

. 400,000 shares of common stock; or . such lesser amount as our Board of Directors may determine.

However, there shall be no annual increase in the number of shares available under the Purchase Plan in the event that the increase plus any annual increases under our other employee and director stock plans would be greater than 30% of the total outstanding shares of our stock unless otherwise approved by our Board of Directors. Our Board of Directors or the Compensation Committee has full and exclusive authority to interpret the terms of the Purchase Plan and determine eligibility. All of our employees are eligible to participate if they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted an option to purchase stock under the Purchase Plan if such employee:

. immediately after the grant owns stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or . whose rights to purchase stock under all of our employee stock purchase plans accrues at a rate that exceeds $25,000 worth of stock for each calendar year.

Our Purchase Plan is intended to qualify for preferential tax treatment and contains consecutive, overlapping 24-month offering periods. Each offering period includes four 6-month purchase periods. The offering periods generally start on the first trading day on or after May 1 and November 1 of each year, except for the first such offering period that will commence on the first trading day on or after the effective date of this offering and will end on the last trading day on or before October 31, 2002.

The Purchase Plan permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation that includes a participant's base straight time gross earnings and commissions, but excludes all other compensation paid to our employees. A participant may purchase no more than 5,000 shares during any 6-month purchase period.

Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each 6-month purchase period. The price is 85% of the lower of the fair market value of our common stock at the beginning of an offering period or after a purchase period ends. If the fair market value at the end of a purchase period is less than the fair market value at the beginning of the offering period, participants will be withdrawn from the current offering period following their purchase of shares on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period, and will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

A participant may not transfer rights granted under our Purchase Plan other than by will, the laws of descent and distribution or as otherwise provided under the Purchase Plan.

Our Purchase Plan will terminate in 2010. However, our Board of Directors has the authority to amend or terminate our Purchase Plan, except that, subject to certain exceptions described in the Purchase Plan, no such action may adversely affect any outstanding rights to purchase stock under our Purchase Plan.

(k) Plan. Our 401(k) plan covers our full-time employees located in the U.S. The 401(k) plan is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended. Consequently, contributions to the 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to employees until withdrawn from the 401(k) plan. Further, contributions by us, if any, will be deductible by us when made. Employees may elect to contribute up to 15% of their current compensation to the 401(k) plan up to the statutorily prescribed annual limit, which is $10,500 in 2000. The 401(k) plan permits, but does not require, additional matching contributions to the 401(k) plan by us on behalf of all participants in the 401(k) plan. To date, we have not contributed to the 401(k) on behalf of any employee, but may elect to contribute in the future.

Limitation of Liability and Indemnification Upon completion of our reincorporation into Delaware, our Amended and Restated Certificate of Incorporation will limit the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

. breach of their duty of loyalty to the corporation or its stockholders;

. acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

. unlawful payments of dividends or unlawful stock repurchases or redemptions; or . any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal or state securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Upon completion of our reincorporation into Delaware, our Bylaws will provide that we shall indemnify our directors, officers, employees and other agents to the fullest extent permitted by law. We believe that indemnification under our Bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our Bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether our Bylaws permit such indemnification.

We intend to enter into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our Bylaws and Certificate of Incorporation. These agreements, among other things, indemnify our directors, executive officers and other agents for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Microtune arising out of such person's services as a Microtune director, officer, employee, agent or fiduciary, any subsidiary of us or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers in which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Certain Transactions

Since our inception in May 1996, we have not been a party to, and we have no plans to be a party to, any transaction or series of similar transactions in which the amount involved exceeds $60,000, and in which any director, executive officer, or holder of more than 5% of any class of our voting stock, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than as described under "Management" and the transactions described below.

The share numbers and per share prices for the transactions described below have been adjusted to give effect to the stock split effected on January 18, 2000. Upon the consummation of this offering, all outstanding shares of Series A preferred stock, Series B preferred stock, Series C preferred stock, Series D preferred stock and Series E preferred stock will automatically convert into shares of common stock on a one-for-two basis.

We believe that all transactions between us and our officers, directors, principal stockholders and other affiliates have been and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

The holders of shares of preferred stock converted into common stock are entitled to demand and piggy-back registration rights. See "Description of Capital Stock--Registration Rights."

In August 1996, we sold 2,800,000 shares to Douglas J. Bartek and 1,400,000 shares to John P. Norsworthy as founders in consideration for $70,000 and $35,000, respectively.

On August 31, 1998, James A. Fontaine, our President, issued a promissory note to us in the principle amount of $118,000 to purchase 400,000 shares of our common stock. The note bears interest at 5.77%, is secured by the shares of common stock purchased and is due and payable 48 months after the date of the note. The total amount of the principle and accrued interest in the amount of $10,780 on the note is outstanding as of March 31, 2000.

During the past three years, we have issued convertible preferred stock as follows:

. In August 1997, we sold 1,000,000 shares of Series B preferred stock in a private placement at a per share purchase price of $4.00.

. In June and July 1998, we sold 1,426,666 shares of Series C preferred stock in a private placement at a per share purchase price of $6.00.

. In November and December 1999, we sold 1,367,418 shares of Series D preferred stock in a private placement at a per share purchase price of $12.00.

The investors in these issuances of preferred stock include the following entities, which are 5% stockholders or affiliated with directors, or both:

Series B Series C Series D Preferred Preferred Preferred Purchaser(1) Stock Stock Stock

HMTF Temic/Microtune Cayman, L.P.	--	--	833,334
Quantum Industrial Partners	166,667	203,333	--
Institutional Venture Partners	450,000	666,667	--

(1) See notes to table of beneficial ownership in "Principal Stockholders" for information relating to the beneficial ownership of these shares.

In January 2000, we combined with Microtune GmbH (formerly Temic Telefunken Hochfrequenztechnik GmbH) and its wholly owned subsidiaries and affiliated companies, by acquiring HMTF Acquisition (Bermuda), Ltd. In connection with this combination, we issued 2,898,602 shares of our Series E preferred stock and a warrant to acquire 1,932,402 shares of our common stock to HMTF Temic/Microtune Cayman, L.P. and 419,911 shares of our Series E preferred stock and a warrant to acquire 279,940 shares of our common stock to TIN Vermogensverwaltungsgesellschaft mgH. The Series E preferred stock and warrants were valued in the aggregate at $63.0 million. Lawrence D. Stuart, Jr. and Philippe von Stauffenberg, two of our outside directors, are affiliated with HMTF Temic/Microtune Cayman, L.P., Martin Englmeier, a director and officer of Microtune, holds approximately 42% of the outstanding shares of TIN and Thomas K. Widmer, one of our officers, holds

approximately 10% of the outstanding shares of TIN. The warrants will be automatically exercised with nominal consideration paid upon the closing of this offering, assuming an initial price to the public of $ per share. In addition, we entered into a Monitoring and Oversight Agreement with Hicks, Muse & Co. Partners, L.P., a Texas limited partnership and affiliate of HMTF Temic/Microtune Cayman, L.P. The Monitoring and Oversight Agreement provides that we will pay Hicks, Muse & Co. Partners, L.P. an annual fee of $200,000 for services we request from them. This agreement terminates upon the completion of this offering. Effective December 31, 1999, we acquired the principal assets of The Tuner Company for an aggregate consideration of $1,010,000, which consisted of a cash payment of $931,000, the assumption of liabilities and the cancellation of indebtedness owed to our German operations. Thomas K. Widmer, one of our executive officers, is the sole shareholder of The Tuner Company.

Principal Stockholders

The following table sets forth the beneficial ownership of our common stock as of March 31, 2000 (assuming conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering and as adjusted to reflect the sale of the shares offered by this prospectus) by:

. each person who is known by us to beneficially own more than 5% of our common stock;

. each of the Named Executive Officers;

. each of our directors; and . all of our executive officers and directors as a group.

Percentage of ownership is based on 32,743,306 shares outstanding as of March 31, 2000, assuming conversion of the preferred stock, the automatic exercise of warrants to purchase 2,212,342 shares of common stock and shares outstanding after this offering and assuming no exercise of the underwriters' over-allotment options. Beneficial ownership is calculated based on SEC requirements. All shares of the common stock subject to options currently exercisable or exercisable within 60 days after March 31, 2000 are deemed to be outstanding for the purpose of computing the percentage of ownership of the person holding such options, but are not deemed to be outstanding for computing the percentage of ownership of any other person. Unless otherwise indicated below, each stockholder named in the table has sole voting and investment power with respect to all shares beneficially owned, subject to applicable community property laws.

	Shares Beneficially Owned Before Offering		Shares Beneficially Owned After Offering	
Name	Number	Percent	Number	Percent

HMTF Temic/Microtune Cayman, L.P.(1)..... 9,396,274 28.7% c/o Hicks, Muse, Tate & Furst Incorporated 200 Crescent Court, Suite 1600 Dallas, Texas 75201 George Soros(2)..... 5,355,126 16.4% c/o Michael C. Neus Soros Fund Management 888 Seventh Avenue New York, NY 10106 Quantum Industrial Partners, LDC... 3,840,000 11.7% c/o Michael C. Neus Soros Fund Management 888 Seventh Avenue New York, NY 10106 Institutional Venture Partners(3).. 3,473,334 10.6% c/o William P. Tai 3000 Sand Hill Road Building 2, Suite 290 Menlo Park, CA 94025

Directors & Officers:		
Douglas J. Bartek(4)..... c/o Microtune, Inc. 2540 East Plano Parkway, Suite 188 Plano, Texas 75074	2,805,000	8.6%
John P. Norsworthy(5).....	1,400,000	4.3%
James A. Fontaine(6).....	400,000	1.2%
S. Vincent Birleson(7).....	125,032	*
William E. Basso(8).....	19,500	*
Harvey B. (Berry) Cash(9).....	140,000	*
Walter S. Ciciora(10).....	68,000	*
James H. Clardy(11).....	70,000	*
Kenneth G. Langone(12).....	837,794	2.6%
Lawrence D. Stuart, Jr.(13).....	13,948	*
William P. Tai(14).....	3,473,334	10.6%
Philippe von Stauffenberg(15).....	4,198	*
All officers and directors as a group (17 persons)(16).....	10,259,001	31.3%

1. Includes 1,932,402 shares issuable upon exercise of warrants to purchase shares of our common stock, which warrants will be automatically exercised upon the closing of this offering, assuming an initial price to the public of $ per share. 2. Includes 3,840,000 shares held by Quantum Industrial Partners LDC ("QIP"). Mr. Soros is the sole shareholder of QIH Management, Inc., the sole general partner of the investment advisory firm that manages QIP and has investment discretion over the shares held by QIP. Mr. Soros is also the Chairman of Soros Fund Management LLC, and has agreed to use his best efforts to cause QIH Management, Inc. to act at the discretion of Soros Fund Management LLC. Mr. Soros may be deemed a beneficial owner of the shares held by QIP; however, he expressly disclaims beneficial ownership of the shares held by QIP except to the extent of his pecuniary interest therein. 3. Represents 108,666 shares held by Institutional Venture Management VII, 3,277,834 shares held by Institutional Venture Partners VII and 86,834 shares held by IVP Founders Fund I, L.P. 4. Of these shares, 2,800,000 are held by Bartek Investments-1, Ltd., of which Mr. Bartek is the general partner. This amount also includes 5,000 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 5. Of these shares, 66,667 are unvested and subject to repurchase by Microtune upon the termination of Mr. Norsworthy's employment with Microtune. 6. Of these shares, 400,000 shares are held by The Fontaine Family Limited Partnership, of which Mr. Fontaine is the general partner. Of these shares, 225,001 shares are unvested and subject to repurchase by Microtune upon the termination of Mr. Fontaine's employment with Microtune. 7. Includes 10,002 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 8. Includes 5,000 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 9. Of these shares, 6,250 are subject to repurchase by us upon the termination of Mr. Cash's tenure as a member of our Board of Directors of Microtune. 10. Includes 2,000 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 11. Includes 2,000 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 12. Includes 387,500 shares held of record by Invemed Associates, Inc. Mr. Langone is the Chairman of the Board, Chief Executive Officer and President of Invemed Associates, Inc. and may be deemed to beneficially own these shares. This amount also includes 9,334 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000. 13. Represents Mr. Stuart's beneficial ownership of shares held by HMTF/Temic Microtune Cayman, L.P. Mr. Stuart indirectly holds a minority limited

partnership interest in HMTF/Temic Microtune Cayman, L.P., but is neither a member nor manager of HMTF/Temic Microtune Cayman, L.P. or of its sole general partner. 14. Includes 108,666 shares held by Institutional Venture Management VII, 3,277,834 shares held by Institutional Venture Partners VII and 86,834 shares held by IVP Founders Fund I, L.P. Mr. Tai is a general partner of the general partner of each of these partnerships, shares voting and dispositive power with respect to the shares held by each of these entities and disclaims beneficial ownership of the shares held by these entities, except to the extent of his pecuniary interest. 15. Represents Mr. von Stauffenberg's beneficial ownership in shares held by HMTF/Temic Microtune Cayman, L.P. Mr. von Stauffenberg indirectly holds a minority limited partnership interest in HMTF/Temic Microtune Cayman, L.P., but is neither a member nor manager of HMTF/Temic Microtune Cayman, L.P. or of its sole general partner. 16. Includes 156,795 shares issuable upon exercise of stock options exercisable within 60 days of March 31, 2000 and 297,918 shares unvested and subject to repurchase by Microtune upon the termination of the holder's termination as an employee or director of Microtune.

Description of Capital Stock

General

Our Amended and Restated Certificate of Incorporation, which will become effective upon the closing of this offering, authorizes the issuance of up to 150 million shares of common stock, par value $0.001 per share, and 25 million shares of preferred stock, par value $0.001 per share, the rights and preferences of which may be established from time to time by our Board of Directors. As of March 31, 2000, 8,233,768 shares of common stock and warrants to purchase 2,212,342 shares of common stock at a nominal exercise price, which warrants will be automatically exercised upon the closing of this offering, were outstanding, and 11,148,598 shares of preferred stock convertible into 22,297,196 shares of common stock upon the completion of this offering were issued and outstanding. As of March 31, 2000, we had 112 stockholders.

Common Stock

Each holder of common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative voting rights. Subject to preferences to which holders of preferred stock issued after the sale of the common stock offered hereby may be entitled, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our Board of Directors out of funds legally available therefor. Please see "Dividend Policy." In the event of our liquidation, dissolution or winding up, holders of common stock would be entitled to share in our assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and the shares of common stock offered by us in this offering, when issued and paid

for, will be, fully paid and nonassessable. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by the rights of the holders of shares of any series of preferred stock, which we may designate in the future.

Preferred Stock

Upon the closing of this offering, our Board of Directors will be authorized, subject to any limitations prescribed by law, without stockholder approval, from time to time to issue up to an aggregate of 25 million shares of preferred stock, $0.001 par value per share, in one or more series, each of such series to have such rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by our Board of Directors. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

Registration Rights

Pursuant to the Fourth Amended and Restated Registration Rights Agreement ("Rights Agreement") dated as of December 31, 1999, the holders of approximately 26,497,196 shares of common stock will have certain rights to register those shares under the Securities Act of 1933, as amended ("Securities Act") six months after the sale of the shares offered hereby. Subject to limitations in the Rights Agreement and upon written request, we will have to register those shares.

. The holders of at least ten percent (10%) of the then outstanding registrable securities may require, on four occasions beginning 180 days after the date of this prospectus, that we register their shares for public resale. We are obligated to register these shares if the holders of at least ten percent (10%) of such shares request registration and only if the net proceeds of such registration would be greater than $10 million.

. The holders of at least fifteen percent (15%) of the then outstanding registrable securities may require not more than one time in every six- month period that we register their shares for public resale on Form S-3 or similar short-form registration, provided we are eligible to use Form S-3 or similar short-form registration and provided further that the value of the securities to be registered is at least $1,000,000.

. If we register any of our shares of common stock for purposes of effecting any public offering, the holders of registrable securities are entitled to include their shares of common stock in the registration, subject however to our right to reduce the number of shares proposed to be registered in view of market conditions.

We will bear all registration expenses in connection with any registration (other than underwriting discounts and commissions). All registration rights terminate with respect to each holder of registrable securities with less than 1% of the then outstanding shares of capital stock, at the time that the holder

is entitled to sell all of its shares in any three-month period under Rule 144 of the Securities Act.

The underwriters have the ability to limit the number of shares included in the offering so requested. If they do limit the shares, the shares to be included in the offering will be allocated among the holders of our capital stock entitled to registration rights, as required by the Rights Agreement.

In addition, under the Rights Agreement, each investor agreed not to acquire more than 50% of the voting power of us unless it first obtains the unanimous consent of our Board of Directors. This standstill provision terminates with respect to any holder at that time that the holder holds less than three percent of our total voting power.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions Provisions of Delaware law and our certificate of incorporation and bylaws could make more difficult our acquisition by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with our Board of Directors. We believe that the benefits of increased protection of our ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Delaware Anti-Takeover Law. We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions):

. The board of directors approves the transaction in which the stockholder became an interested stockholder prior to the date the interested stockholder attained to that status;

. When the stockholder became an interested stockholder, he or she owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers; or . On or subsequent to the date the business combination is approved by the board of directors, the business combination is authorized at an annual or special meeting of stockholders.

Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Certain Provisions of Our Certificate of Incorporation and Bylaws. Upon the closing of this offering, our Amended and Restated Certificate of Incorporation will provide for our Board of Directors to be divided into three classes, as nearly equal in number as possible, serving staggered terms.

Approximately one- third of the board will be elected each year. Our having a classified board could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of our Board of Directors until the second annual stockholders meeting following the date the acquiror obtains the controlling stock interest. A classified board could also have the effect of discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of us and could increase the likelihood that incumbent directors will retain their positions.

Our Amended and Restated Certificate of Incorporation will provide that our directors may be removed (i) with cause by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of voting stock, voting as a single class or (ii) without cause by the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock.

Our Bylaws establish an advance notice procedure for stockholder proposals to be brought before our annual meeting of stockholders, including proposed nominations of persons for election to our Board of Directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our Board of Directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the Bylaws do not give our Board of Directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting of the stockholders, the Bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or defer a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our company.

Under Delaware law, a special meeting of stockholders may be called by the Board of Directors or by any other person authorized to do so in the Amended and Restated Certificate of Incorporation or the Bylaws. Our Bylaws authorize a majority of the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President or a holder of at least 15% of our outstanding stock to call a special meeting of stockholders. The elimination of the right of minority stockholders to call a special meeting means that a stockholder could not force stockholder consideration of a proposal over the opposition of our Board of Directors by calling a special meeting of stockholders prior to such time as a majority of our Board of Directors believed such consideration to be appropriate or until the next annual meeting provided that the requestor met the notice requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace our Board of Directors could be delayed until the next annual meeting.

Our Amended and Restated Certificate of Incorporation will provide for the elimination of actions by written consent of stockholders upon the closing of this offering. Under Delaware law, stockholders may execute an action by written consent in lieu of a stockholder meeting. Delaware law permits a corporation to eliminate such actions by written consent. Elimination of written consents of

stockholders may lengthen the amount of time required to take stockholder actions since certain actions by written consent are not subject to the minimum notice requirement of a stockholder's meeting. The elimination of stockholders' written consents, however, deters hostile takeover attempts. Without the availability of stockholder's actions by written consent, a holder or group of holders controlling a majority in interest of our capital stock would not be able to amend our Bylaws or remove directors pursuant to a stockholders' written consent. Any such holder or group of holders would have to obtain the consent of a majority of our Board of Directors, the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive Officer, the President or a holder of at least 15% of our outstanding stock to call a stockholders' meeting and wait until the notice periods, as determined by the Board of Directors pursuant to our Bylaws, expire prior to taking any such action.

Transfer Agent and Registrar The Transfer Agent and Registrar for our common stock is Harris Trust and Savings Bank, 1601 Elm Street, Thanksgiving Tower, Suite 2320, Dallas, Texas, 75201, phone: (214) 665-6031.

Shares Eligible for Future Sale

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect the market price of our common stock.

Upon completion of this offering, we will have outstanding an aggregate of shares of common stock, assuming the issuance of shares of common stock offered hereby and no exercise of options after , 2000. Of these shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "Affiliates" as that term is defined in Rule 144 under the Securities Act (whose sales would be subject to certain limitations and restrictions described below).

The remaining 32,743,306 shares of common stock held by existing stockholders were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. Of these shares, 29,768,838 shares, representing 97.7% of our outstanding shares, will be subject to "lock-up" agreements described below on the effective date of this offering. Specifically, our officers and directors and most of our existing stockholders agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this offering; provided, however, that this restriction shall terminate as to 20% of the shares after 90 days and an additional 20% of the shares after 120 days after the date of this prospectus, in the event that, at such dates, the reported last sale price of our common stock on the Nasdaq National Market is at least twice the initial public offering price specified in this prospectus for a certain period of time ending on such dates. Goldman Sachs may, however, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in the lock-up agreements. As a result of these contractual restrictions, and assuming that the conditions to release of these shares are met as of 90 days and 120 days after the date of this prospectus, subject to delays as a result of the timing of our earnings releases and compliance with our insider trading policies, shares will become eligible for sale, subject in most cases to the limitations of Rule 144 and the lapse of

repurchase rights held by us. To the extent that any of our stockholders have not entered into lockup agreements with the underwriters, these stockholders are subject to lockup agreements with us, which agreements provide that these stockholders may not sell their shares for 180 days after the date of this prospectus. We do not intend to release any of these company lockups.

Days After Date of this Prospectus	Approximate Shares Eligible for Future Sale	Comment
Upon effectiveness		Shares sold in the offering
Upon effectiveness	0	Freely tradable shares salable under Rule 144(k) that are not subject to the Lock-up
90 days after effectiveness	4,079,395	Initial release of 20% of the shares subject to lock up; shares saleable under Rules 144 and 701
120 days after effectiveness	4,079,395	Initial release of 20% of the shares subject to lock up; shares saleable under Rules 144 and 701
180 days after effectiveness	12,768,645	All lock-ups released; shares salable under Rules 144 and 701
At various times thereafter	11,815,871	

In addition, holders of stock options could exercise such options and sell certain of the shares issued upon exercise as described below.

As of March 31, 2000, there were a total of 7,130,116 shares of common stock subject to outstanding options under our 1996 Stock Option Plan and options to purchase 660,000 shares of common stock upon the automatic conversion of options to purchase 330,000 shares of Series E preferred stock, approximately 230,353 of which were vested and exercisable. However, all of these shares are subject to lock-up agreements described above. Immediately after the completion of this offering, we intend to file registration statements on Form S-8 under the Securities Act to register all of the shares of common stock issued or reserved for future issuance under the 1996 Stock Option Plan, 2000 Stock Plan, the 2000 Employee Stock Purchase Plan and the 2000 Director Stock Option Plan. After the effective dates of the registration statements on Form S-8, shares purchased upon exercise of options granted pursuant to the 1996 Stock Option Plan, the 2000 Stock Plan, the 2000 Employee Stock Purchase Plan and the 2000 Director Plan generally would be available for resale in the public market. On the date 180 days after the effective date of this offering, a total of approximately 1,260,020 shares of common stock subject to outstanding options will be vested and exercisable.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell in "broker's transactions" or to market makers, within any three-month period, a number of shares that does not exceed the greater of:

. 1% of the number of shares of common stock then outstanding (which will equal approximately shares immediately after this offering); or . the average weekly trading volume in the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are generally subject to the availability of current public information about us.

Rule 144(k)

Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell such shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of this offering.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period and notice filing requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, along with the shares acquired upon exercise of such options (including exercises after the date of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than "affiliates" (as defined in Rule 144) subject only to the manner of sale provisions of Rule 144 and by "affiliates" under Rule 144 without compliance with its one-year minimum holding period requirements.

Underwriting

Microtune and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Chase Securities Inc., SG Cowen Securities Corporation and Bear, Stearns & Co. Inc. are the representatives of the underwriters.

Number Underwriters of Shares Goldman, Sachs & Co..... Chase Securities Inc..... SG Cowen Securities Corporation..... Bear, Stearns & Co. Inc..... Total.....

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from Microtune to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Microtune. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by Microtune	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

Microtune, its directors, officers, employees and certain stockholders have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives; provided, however, that with respect to our officers, directors, and certain stockholders, this restriction shall terminate as to 20% of the shares after 90 days and an additional 20% of the shares after 120 days after the date of this prospectus, subject to delays as a result of the timing of Microtune's earnings releases and compliance with Microtune's insider trading policies, in the event that, at such dates, the reported last sale price of Microtune's common stock on the Nasdaq National Market is at least twice the initial public offering price specified in this prospectus for a certain period of time ending on such dates. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

At Microtune's request, the underwriters have reserved, at the initial public offering price, up to shares of common stock for sale to entities and individuals identified by Microtune through a directed share program. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public will be reduced by the number of reserved shares sold. Any reserved shares not so purchased will be offered to the general public on the same basis as other shares offered hereby.

Prior to this offering, there has been no public market for the common stock. The initial public offering price has been negotiated among Microtune and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to

prevailing market conditions, will be Microtune's historical performance, estimates of Microtune's business potential and earnings prospects, an assessment of Microtune's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Application has been made for quotation of the common stock on the Nasdaq National Market under the symbol "TUNE."

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

Microtune estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $.

Microtune has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Legal Matters

The validity of the common stock offered hereby will be passed upon for Microtune by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Austin, Texas. Certain legal matters will be passed upon for the Underwriters by Brobeck Phleger & Harrison LLP. As of the date of this prospectus, an employee of Wilson Sonsini Goodrich & Rosati, Professional Corporation, beneficially owns an aggregate of 750 shares of Microtune Series D preferred stock which will convert into 1,500 shares of common stock upon completion of this offering.

Experts

The consolidated financial statements of Microtune, Inc. as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999, and the consolidated financial statements of Temic as of December 31, 1998 and for the nine months ended September 30, 1997, the three months ended December 31, 1997, the year ended December 31, 1998, and the period January 1, 1999 through December 22, 1999, and the consolidated financial statements of HMTF Acquisition (Bermuda) Ltd. as of December 31, 1999 and for the period December 23, 1999 through December 31, 1999, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Where You Can Find More Information

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 (including exhibits and schedules) under the Securities Act, with respect to the shares to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to us and the common stock offered in this prospectus, reference is made to the registration statement, including the exhibits thereto, and the financial statements and notes filed as a part thereof. With respect to each such document filed with the SEC as an exhibit to the registration statement, reference is made to the exhibit for a more complete description of the matter involved.

We will be filing quarterly and annual reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the public reference facilities of the SEC in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

Index to Financial Statements

Page

Combined Condensed Pro Forma Financial Statements (Unaudited):
  Combined Condensed Pro Forma Statement of Operations for the Year Ended
   December 31, 1999 (Unaudited)..... F-3
  Notes to Combined Condensed Pro Forma Statement of Operations
   (Unaudited)..... F-4

Microtune, Inc.: Report of Ernst & Young LLP, Independent Auditors..... F-6 Consolidated Balance Sheets as of December 31, 1998 and 1999 and March 31, 2000 (Unaudited)..... F-7 Consolidated Statements of Operations for the Years Ended December 31, 1997, 1998 and 1999 and for the Three Months Ended March 31, 1999 and 2000

(Unaudited)..... F-8 Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1997, 1998 and 1999 and for the Three Months Ended March 31, 2000 (Unaudited)..... F-9 Consolidated Statements of Cash Flows for the Years Ended December 31, 1997, 1998 and 1999 and for the Three Months Ended March 31, 1999 and 2000 (Unaudited)..... F-10 Notes to Consolidated Financial Statements..... F-11 HMTF Acquisition (Bermuda), Ltd. and Temic Telefunken Hochfrequentztechnik GmbH: Report of Ernst & Young LLP, Independent Auditors..... F-24 Consolidated Balance Sheets as of December 31, 1998 and 1999..... F-25 Consolidated Statements of Operations for the Nine Months Ended September 30, 1997, the Three Months Ended December 31, 1997, the Year Ended December 31, 1998, the period January 1, 1999 through December 22, 1999 and the Period December 23, 1999 through December 31, 1999.... F-26 Consolidated Statements of Stockholders Equity for the Nine Months Ended September 30, 1997, the Three Months Ended December 31, 1997, the Year Ended December 31, 1998, the period January 1, 1999 through December 22, 1999 and the Period December 23, 1999 through December 31, 1999.... F-27 Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 1997, the Three Months Ended December 31, 1997, the Year Ended December 31, 1998, the period January 1, 1999 through December 22, 1999 and the Period December 23, 1999 through December 31, 1999.... F-28 Notes to Consolidated Financial Statements..... F-29

Microtune, Inc.

Unaudited Pro Forma Combined Condensed Financial Information

On January 10, 2000, Microtune, Inc. (the Company) acquired HMTF Acquisition (Bermuda) Ltd. (HMTF Acquisition). HMTF Acquisition was incorporated in November 1999 for the purpose of serving as the ultimate parent company of Temic Telefunken Hochfrequenztechnik GmbH (Temic), which is now called Microtune GmbH. HMTF Acquisition acquired Temic on December 22, 1999.

The combination with HMTF Acquisition has been accounted for as a purchase business combination by the Company. The pro forma combined condensed statement of operations is based on the historical financial statements of the Company, HMTF Acquisition and Temic and assumes the combination had been completed on January 1, 1999.

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been reported if such transactions had been completed as presented in the accompanying unaudited pro forma combined condensed statement of operations nor is it necessarily indicative of the Company's future results of operations. The pro forma adjustments and the assumptions on which they are based are described in the accompanying notes to unaudited pro forma combined condensed statement of operations.

The unaudited pro forma combined condensed statement of operations is based on, and should be read in conjunction with, the historical consolidated financial statements and the related notes thereto of the Company for the year ended December 31, 1999, the consolidated financial statements and the related notes thereto of HMTF Acquisition for the period December 23, 1999 through December 31, 1999 and the consolidated financial statements and the related notes thereto of Temic for the period January 1, 1999 through December 22, 1999 included elsewhere in this prospectus.

Microtune, Inc.

Pro Forma Combined Condensed Statement of Operations

Year Ended December 31, 1999 (Unaudited) (in thousands, except per share data)

	Temic Historical Period	HMTF Acquisition Historical Period		
The Company Historical Year Ended December 31, 1999	January 1, 1999 Through December 22, 1999	December 23, 1999 Through December 31, 1999	Purchase Accounting Pro Forma Adjustments	Pro Forma Combined
Net revenues.....	$ --	$45,178	$ 1,058	$ 523 (c)	$ 46,759
Cost of revenues.....	--	29,990	719	704 (b)	31,413
Gross margin.....	--	15,188	339	(181)	15,346
Operating expenses:					
Research and development.....	5,913	2,949	70	141 (b)	9,073
Acquired in-process research and development.....	--	--	12,692	(12,692)(a)	--
Selling, general and administrative.....	2,327	6,800	176	(229)(c)	9,168
				94 (b)	
Employee bonuses.....	--	4,314	--	(4,314)(a)	--
Amortization of intangible assets and goodwill.....	--	(532)	210	8,222 (b)	8,700
				800 (c)	
Stock option compensation.....	850	--	--	820 (d)	1,670
Total operating expenses.....	9,090	13,531	13,148	(7,158)	28,611
Income (loss) from operations.....	(9,090)	1,657	(12,809)	6,977	(13,265)
Other income (expense):					
Interest income.....	582	165	5	--	752
Interest expense.....	--	(31)	--	--	(31)
Foreign currency translation and transaction gains (losses), net.....	--	1,245	1	--	1,246
Other.....	--	795	41	99 (c)	935
Income (loss) before provision (benefit) for income taxes.....	(8,508)	3,831	(12,762)	7,076	(10,363)
Provision (benefit) for income taxes.....	--	1,169	188	(950)(e)	407
Net income (loss).....	$(8,508)	$ 2,662	$(12,950)	$ 8,026	$(10,770)
Basic and diluted earnings (loss) per common share (Note 3)..	$ (1.12)				$ (1.42)
Shares used to compute per share data (Note 3).....	7,565				7,565

See accompanying notes.

Microtune, Inc.

Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

Year Ended December 31, 1999 1. General The combination with HMTF Acquisition has been accounted for as a purchase business combination by the Company. The accompanying unaudited pro forma combined condensed statement of operations reflects an aggregate cost of the combination of approximately $63.1 million, consisting of the fair market value of the Company's securities issued to the shareholders of HMTF Acquisition plus costs directly related to the combination as follows (in thousands, except share data):

Fair market value of 3,318,513 shares of Series E Preferred Stock..	$55,548
Fair market value of warrants to purchase 2,212,342 shares of the Company's common stock.....	7,411
Transaction costs.....	185
Total combination cost.....	$63,144

The warrants have an exercise price of $0.001 per share. The fair values of the Series E Preferred Stock and the warrants were based on an independent valuation of the Company's common stock at the date of the combination and the cash purchase price paid by HMTF Acquisition for Temic on December 22, 1999.

The aggregate purchase price has been allocated to the net assets acquired on the basis of preliminary estimates of fair values as follows:

Working capital..... $11,596 Property and equipment..... 6,118 Intangible assets..... 8,037 Goodwill..... 30,038 Acquired in-process research and development costs charged to expense..... 12,692 Deferred income taxes..... (4,020) Other assets and liabilities, net..... (2,329) Loans receivable from stockholders..... 1,012 $63,144 The preliminary estimates of fair value were determined by the Company's management based primarily on information furnished by management of Microtune GmbH and a preliminary independent valuation of the assets and liabilities acquired and the acquired in-process research and development. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of HMTF Acquisition. Although management does not expect the final valuation of the assets and liabilities acquired to result in values that are significantly different from the estimates included in the unaudited pro forma condensed combined balance sheet, there can be no assurance such differences will not occur.

The estimates of fair value were determined by management based on information furnished by management of HMTF Acquisition and a preliminary independent valuation. Amounts attributed to acquired in-process and development were expensed at the date of the combination because the purchased research and development had not reached technological feasibility based on the status of design and development activities that required further refinement and testing. The estimates used

Microtune, Inc.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS (Continued) Year Ended December 31, 1999 in valuing the research and development were based upon assumptions regarding future events and circumstances management believes to be reasonable, but that are inherently uncertain and unpredictable.

In connection with the acquisition of HMTF Acquisition, the Company acquired the principal assets of The Tuner Company, an independent distributor of products for Temic in North America, for $931,000 and the assumption of certain liabilities.

2. Unaudited Pro Forma Combined Condensed Statement of Operations The accompanying unaudited pro forma combined condensed statement of operations have been prepared as if the combination with HMTF Acquisition (including its acquisition of Temic) and the acquisition of the assets of the Tuner Company were completed as of January 1, 1999 and reflects the following pro forma adjustments:

(a) To eliminate nonrecurring charges for acquired in-process research and development and the employee bonuses recorded by HMTF Acquisition resulting from its acquisition of Microtune GmbH on December 22, 1999.

(b) To record the depreciation and amortization of property and equipment, intangible assets and goodwill resulting from the allocation of the cost of the combination with HMTF Acquisition. The allocation of the cost is preliminary and amounts are subject to adjustment. The acquired intangible assets are being amortized over periods of one to five years. Goodwill is being amortized over five years.

(c) To record the effect on revenues and operating costs of combining the results of operations of The Tuner Company and HMTF Acquisition, net of the elimination of intercorporate accounts.

(d) To record stock option compensation resulting from the issuance of options to purchase 1.7 million shares of the Company's common stock at an exercise price of $0.875 per share to employees of Temic in connection with the combination. The aggregate compensation expense resulting from the issuance of these options of $4.1 million is being amortized over the vesting periods of the options.

(e) To adjust the provision for income taxes to reflect the impact of the results of operations of HMTF Acquisition and Temic and related pro forma adjustments.

3. Unaudited Pro Forma Combined Earnings Per Common Share Data The unaudited pro forma combined basic earnings per common share data is computed by dividing pro forma combined income per share by the pro forma weighted average number of common shares outstanding. Because the combined pro forma results of operations are a loss for the period, the assumed exercise of stock options and conversion of outstanding convertible preferred stock does not have a dilutive effect.

Report of Ernst & Young Llp, Independent Auditors

The Board of Directors Microtune, Inc.

We have audited the accompanying consolidated balance sheets of Microtune, Inc. (the Company), as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Microtune, Inc., at December 31, 1998 and 1999, and the consolidated results of its operations and its consolidated cash flows for the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young Llp

Dallas, Texas March 24, 2000 MICROTUNE, INC. CONSOLIDATED BALANCE SHEETS (in thousands, except per share data)

ASSETS	December 31, 1998	December 31, 1999	March 31, 2000 (Unaudited)
Current assets:			
Cash and cash equivalents	$ 712	$ 6,331	$ 6,132
Marketable securities (Note 2)	7,156	13,798	11,371
Accounts receivable, net of allowance for doubtful accounts of $509 at March 31, 2000	--	164	8,266
Inventories (Note 3)	--	--	10,206
Deferred income taxes (Note 6)	--	--	101
Other current assets	--	22	1,657
Total current assets	7,868	20,315	37,733
Property and equipment, at cost:			
Leasehold improvements	413	418	657
Manufacturing equipment	--	--	6,313
Other equipment	1,567	2,445	2,151
Furniture and fixtures	16	82	375
Computer software	777	724	1,938
	2,773	3,669	11,434
Less accumulated depreciation	895	1,879	2,621
	1,878	1,790	8,813
Intangible assets, net of accumulated amortization of $1,009 (Note 1)	--	--	8,125
Goodwill, net of accumulated amortization of $1,495			

(Note 1)	--	--	28,543
Deferred income taxes (Note 6)	--	--	130
Other assets and deferred charges	444	172	523
Total assets	$10,190	$ 22,277	$83,867

Liabilities and Stockholders' Equity

Current liabilities:			
Accounts payable	$ 447	$ 223	$ 5,622
Accrued expenses	12	84	3,581
Accrued compensation	98	365	1,121
Payable to stockholder	125	--	--
Total current liabilities	682	672	10,324
Deferred income taxes (Note 6)	--	--	5,305
Other noncurrent liabilities	--	--	1,097
Commitments (Note 4)			

Stockholders' equity (Notes 7, 8 and 9): Preferred stock, $0.001 par value Authorized shares--18,999 Issued and outstanding Series A through E convertible shares-- 6,463 at December 31, 1998, 7,830 at December 31, 1999, and 11,149 at March 31, 2000..... 7 8 11 Common stock, $0.001 par value: Authorized shares--100,000 Issued and outstanding shares--6,948 at December 31, 1998, 7,943 at December 31, 1999, and 8,234 at March 31, 2000..... 7 8 8 Additional paid-in capital..... 19,216 36,819 100,631 Stock subscription -- funds held in escrow for Series A Preferred Stock..... (3,000) -- -- Loans receivable from stockholders..... (207) (207) (860) Accumulated other comprehensive income..... -- -- (866) Accumulated deficit..... (6,515) (15,023) (31,783) Total stockholders' equity..... 9,508 21,605 67,141 Total liabilities and stockholders' equity..... $10,190 $ 22,277 $83,867 See accompanying notes.

Microtune, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)

	Year Ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
				(Unaudited)	
Net revenues	$ --	$ --	$ --	$ --	$ 13,896
Cost of revenues	--	--	--	--	10,071
Gross margin	--	--	--	--	3,825
Operating expenses (Notes 1,4, 9 and 10):					
Research and development	2,091	3,174	5,913	984	2,584
Acquired in process research and development	--	--	--	--	12,692
Selling, general and administrative	723	885	2,327	375	3,302
Amortization of intangible assets and goodwill	--	--	--	--	2,178
Stock option compensation	--	--	850	398	789
Total operating expenses	2,814	4,059	9,090	1,757	21,545
Loss from operations	(2,814)	(4,059)	(9,090)	(1,757)	(17,720)

Other income (expense):					
Interest income	408	572	582	99	276
Foreign currency translation and transaction gains (losses), net	--	--	--	--	877
Other	--	--	--	--	171
Loss before provision for income taxes	(2,406)	(3,487)	(8,508)	(1,658)	(16,396)
Provision for income taxes (Note 6)	--	--	--	--	364
Net loss	$(2,406)	$(3,487)	$(8,508)	$(1,658)	$(16,760)
Basic and diluted loss per common share	$ (0.36)	$ (0.52)	$ (1.12)	$ (0.24)	$ (2.06)
Weighted average shares used in computing basic and diluted loss per common share	6,707	6,716	7,565	6,948	8,139

See accompanying notes.

MICROTUNE, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (in thousands)

	Series A Through E Convertible Preferred Stock		Common Stock						
	Number of Shares	Par Value	Number of Shares	Par Value	Additional Paid-In Capital	Stock Subscription -Funds Held in Escrow	Loans Receivable From Stockholders	Accumulated Other Comprehensive Income	Total Accumulated Deficit	Stockholders' Equity
Balance at December 31, 1996	5,000	$ 5	6,770	$ 7	$ 9,056	$(3,000)	$ (98)	$ --	$ (622)	$ 5,348
Issuance of common stock upon exercise of stock options for cash	--	--	25	--	2	--	--	--	--	2
Repurchase of common shares for cash and extinguishment of note receivable	--	--	(81)	--	(2)	--	2	--	--	--
Contribution from Series A Preferred Stockholder under formation agreement (Notes 7 and 11)	--	--	--	--	185	--	--	--	--	185
Repurchase of Series A Preferred Stock	(950)	(1)	--	--	(2,894)	--	--	--	--	(2,895)
Issuance of Series A Preferred Stock for cash	250	--	--	--	750	--	--	--	--	750
Issuance of Series B Preferred Stock for cash net of issuance costs of $6	1,000	1	--	--	3,993	--	--	--	--	3,994
Proceeds to Microtune, Inc., for the transfer of 650 shares of Series A Preferred Stock from Cirrus Logic, Inc., and Cirrus Logic International, Ltd., to other investors	--	--	--	--	237	--	--	--	--	237
Net loss	--	--	--	--	--	--	--	--	(2,406)	(2,406)
Balance at December 31, 1997	5,300	5	6,714	7	11,327	(3,000)	(96)	--	(3,028)	5,215
Issuance of common stock upon exercise of stock options for cash and notes	--	--	401	--	120	--	(118)	--	--	2
Repurchase of common shares for extinguishment of note receivable	--	--	(167)	--	(4)	--	4	--	--	--
Contribution from Series A Preferred Stockholder under formation agreement (Notes 7 and 11)	--	--	--	--	109	--	--	--	--	109
Repurchase of Series A Preferred Stock for cash	(300)	--	--	--	(1,090)	--	--	--	--	(1,090)
Issuance of Series C Preferred Stock for cash net of issuance costs of $20	1,463	2	--	--	8,754	--	--	--	--	8,756
Payments on loans receivable from stockholders	--	--	--	--	--	3	--	--	3	
Net loss	--	--	--	--	--	--	--	--	(3,487)	(3,487)
Balance at December 31, 1998	6,463	7	6,948	7	19,216	(3,000)	(207)	--	(6,515)	9,508
Issuance of common stock upon exercise of stock options	--	--	995	1	220	--	--	--	--	221
Issuance of Series D										

Preferred Stock for cash..... 1,367 1 -- -- 16,408 -- -- -- -- 16,409 Stock option compensation... -- -- -- -- 850 -- -- -- -- 850 Funds released from escrow for Series A Preferred Stock..... -- -- -- -- -- 3,000 -- -- -- 3,000 Other..... -- -- -- -- 125 -- -- -- -- 125 Net loss..... -- -- -- -- -- -- -- -- (8,508) (8,508) Balance at December 31, 1999..... 7,830 8 7,943 8 36,819 -- (207) -- (15,023) 21,605 Issuance of common stock upon exercise of stock options (unaudited).... -- -- 291 -- 67 -- (28) -- -- 39 Issuance of Series E Preferred Stock and warrants to purchase common stock in the combination with HMTF Acquisition (Bermuda) Ltd. (unaudited).... 3,319 3 -- -- 62,956 -- (1,012) -- -- 61,947 Stock option compensation (unaudited).... -- -- -- -- 789 -- -- -- -- 789 Payments on loans receivable from stockholders (unaudited).... -- -- -- -- -- -- 387 -- -- 387 Net loss (unaudited).... -- -- -- -- -- -- -- -- (16,760) (16,760) Unrealized foreign currency loss (unaudited).... -- -- -- -- -- -- -- -- (866) -- (866) Total comprehensive loss (unaudited).... -- -- -- -- -- -- -- -- -- (17,626) Balance at March 31, 2000 (unaudited).... 11,149 $11 8,234 $ 8 $100,631 $ -- $ (860) $(866) $(31,783) $ 67,141 See accompanying notes.

Microtune, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
				(Unaudited)	
Operating Activities					
Net loss.....	$ (2,406)	$ (3,487)	$ (8,508)	$(1,658)	$(16,760)
Adjustments to reconcile net loss to net cash used in operating activities, net of effects of business combination:					
Depreciation.....	278	554	1,007	248	1,017
Amortization of intangible assets and goodwill.....	--	--	--	--	2,178
Acquired in-process research and development.....	--	--	--	--	12,692
Foreign currency translation and transaction gain (losses), net.....	--	--	--	--	(877)
Stock option compensation....	--	--	850	398	789
Deferred income taxes.....	--	--	--	--	(144)
Changes in operating assets and liabilities:					
Accounts receivable.....	--	--	(164)	--	(270)
Inventories.....	--	--	--	--	(336)
Other assets.....	(262)	(138)	250	109	316
Accounts payable.....	37	333	(224)	(425)	1,066
Accrued expenses.....	--	13	72	22	(815)
Accrued compensation.....	30	46	267	25	483
Employee bonuses.....	--	--	--	--	(3,775)
Net cash used in operating activities.....	(2,323)	(2,679)	(6,450)	(1,281)	(4,436)

Investing Activities Net cash aquired in acquisition of HMTF Acquisition..... -- -- -- -- 3,550 Purchases of marketable securities..... (11,000) (14,653) (30,958) (6,899) (14,371) Proceeds from sales and maturities of marketable securities..... 7,100 11,397 24,316 8,600 16,798

Purchases of property and equipment..... (588) (1,546) (919) (490) (1,950) Sale of property and equipment..... -- -- -- -- 28 Purchase of intangible assets..... -- -- -- -- (825) Payments on loans receivable..... -- -- -- -- (33) Proceeds from loans receivable..... -- -- -- -- 302 Net cash provided by (used in) investing activities.. (4,488) (4,802) (7,561) 1,211 3,499 Financing Activities Proceeds from issuance of Series A Preferred Stock.... 935 -- -- -- -- Repurchase of Series A Preferred Stock..... (2,895) (982) -- -- -- Proceeds from issuance of Series B Preferred Stock.... 3,994 -- -- -- -- Proceeds from issuance of Series C Preferred Stock.... -- 8,756 -- -- -- Proceeds from issuance of Series D Preferred Stock.... -- -- 16,409 -- -- Proceeds from transfer of shares of Series A Preferred Stock..... 237 -- -- -- -- Proceeds from issuance of common stock..... 2 2 221 124 39 Proceeds from the release of funds in escrow..... -- -- 3,000 -- -- Proceeds from loans receivable from stockholders..... -- 3 -- -- 387 Increase (decrease) in payable to stockholder..... 2,363 (2,238) -- (125) -- Net cash provided by (used in) financing activities.. 4,636 5,541 19,630 (1) 426 Effect of foreign currency exchange rate changes on cash..... -- -- -- -- 312 Net increase (decrease) in cash and cash equivalents.... (2,175) (1,940) 5,619 (71) (199) Cash and cash equivalents at beginning of period..... 4,827 2,652 712 712 6,331 Cash and cash equivalents at end of period..... $ 2,652 $ 712 $ 6,331 $ 641 $ 6,132 See accompanying notes.

Microtune, Inc.

Notes to Consolidated Financial Statements

(Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) 1. Description of Business and Basis of Presentation Description of Business Microtune, Inc. (the Company), was incorporated on May 28, 1996, and commenced operations on August 21, 1996. The Company operates in a single business segment and is engaged in the design, manufacture, and marketing of high performance RF tuners and transceivers to the broadband communications markets.

The consolidated financial statements include the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Acquisition of HMTF Acquisition (Bermuda), Ltd.

On January 10, 2000, the Company combined with HMTF Acquisition (Bermuda) Ltd. (HMTF Acquisition), the ultimate parent company of Temic Telefunken Hochfrequenztechnik GmbH (Temic), in a transaction accounted for as a purchase business combination. HMTF Acquisition acquired Temic on December 22, 1999. Temic is now called Microtune GmbH. Microtune GmbH is a leading provider of RF systems solutions. The consideration in the combination consisted of 3,318,513 shares of Series E Preferred Stock and 2,212,342 warrants to purchase shares of common stock at an exercise price of $.001 per share. The results of operations of HMTF Acquisition are included in the results of the Company from the date of acquisition.

The components of the aggregate cost of the combination were as follows (in thousands, except share data):

Fair market value of 3,318,513 shares of Series E Preferred Stock..	$55,548
Fair market value of warrants to purchase 2,212,342 shares of the Company's common stock.....	7,411
Transaction costs.....	185
Total combination cost.....	$63,144

The fair values of the Series E Preferred Stock and the warrants were based on an independent valuation of the Company's common stock at the date of the combination and the cash purchase price paid by HMTF Acquisition for Temic on December 22, 1999 of $60.0 million.

The cost of the acquisition has been allocated to the assets and liabilities acquired and to acquired in-process research and development, with the remainder recorded as excess cost over net assets acquired, based on preliminary estimates of fair values as follows (in thousands):

Working capital.....	$ 11,596
Property and equipment.....	6,118
Intangible assets.....	8,037
Goodwill.....	30,038
Acquired in-process research and development costs charged to expense.....	12,692
Deferred income taxes.....	(4,020)
Other assets and liabilities, net.....	(2,329)
Loans receivable from stockholders.....	1,012
	$ 63,144

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) The estimates of fair value were determined by management based on information furnished by management of Microtune GmbH and a preliminary independent valuation. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of HMTF Acquisition. Although management does not expect the final valuation of the assets and liabilities acquired to result in values that are significantly different from the estimates included in the table above, there can be no assurance that such differences will not occur.

Amounts allocated to acquired in-process and development were expensed at the date of acquisition because the purchased research and development had not reached technological feasibility based on the status of design and development activities that required further refinement and testing. The acquired in- process research and development projects were assessed, analyzed and valued using the exclusion approach articulated by the Securities and Exchange Commission. The estimates used in valuing the research and development were based upon assumptions regarding future events and circumstances management believes to be reasonable, but that are inherently uncertain and unpredictable. The relative stage of completion and projected operating cash flows of the underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the

valuation analysis of the acquired in-process research and development. Such uncertainties could give rise to unforeseen budget overruns and revenue shortfalls in the event that the Company is unable to successfully complete and commercialize the projects.

The acquired in-process technology relates to the development of new tuners and modules for cable modem, set-top box, multimedia and automotive applications, focusing on increased functionality, cost effectiveness and size reduction, while maintaining a low level of power consumption. The estimated percentage completion of the development projects as of the acquisition date was approximately 70%, 50%, 70% and 60% for projects in the cable modem, set- top box, multimedia and automotive product groups, respectively.

The value of the acquired in-process research and development was determined by discounting the estimated projected net cash flows related to the applicable products for the next ten years, including costs to complete the development of the technology and the future revenues to be earned upon release of the products. The rate utilized to discount the net cash flows to present value was 22% based on the weighted average cost of capital adjusted for the risks associated with the estimated growth, profitability, developmental and market risks of the acquired development projects. Projected net cash flows from such products are based on estimates of revenues and operating profit related to such products.

Management expects that products developed from the research and development will generally be released during 2000 through 2002. Management expects that the purchased research and development generally will be successfully developed into commercially viable products. However, there can be no assurance that commercial viability or timely release of these products will be achieved.

In connection with the combination with HMTF Acquisition, the Company acquired the principal assets of The Tuner Company, an independent distributor of products for Temic in North America, for $931,000 and the assumption of certain liabilities.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) The following unaudited pro forma information presents the results of operations of the Company as if the combination with HMTF Acquisition and the acquisition of The Tuner Company had occurred as of January 1, 1998. The pro forma information has been prepared by combining the results of operations of the Company, HMTF Acquisition, Temic and The Tuner Company with adjustments to eliminate the 1999 charge for acquired in-process research and development costs and to record additional amortization expense and the impact on the provision for income taxes resulting from the application of purchase accounting. The pro forma information does not purport to be indicative of what would have occurred had the acquisition occurred as of that date, or of results of operations that may occur in the future (in thousands, except per share data):

Years Ended December 31, 1998 1999 Revenue..... $51,083 $ 46,759 Loss from operations..... $(3,917) $(13,265) Net loss..... $(3,741) $(10,770) Basis and diluted net loss per common share..... $ (0.56) $ (1.42) Prior to the combination with HMTF Acquisition, the Company was in the development stage and had been engaged primarily in raising capital, recruiting RF and analog engineers, product research and development, and developing relationships with potential customers and suppliers.

Interim Financial Information The interim consolidated financial information as of March 31, 2000 and for the three months ended March 31, 1999 and March 31, 2000 is unaudited but, in the opinion of management, includes all adjustments which are of a normal recurring nature and are necessary for a fair presentation of the financial position and results of operations for the periods presented. Results of operations for the three months ended March 31, 2000 are not necessarily indicative of results of operations to be expected for the entire fiscal year.

2. Summary of Significant Accounting Policies Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents Cash and cash equivalents consist of bank deposits and money market funds. The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of standard cost, which approximates actual cost determined on a first-in, first-out basis, or estimated realizable value.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) Marketable Securities The Company's investments in debt securities are comprised of high-credit quality debt securities in accordance with the Company's investment policy. Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determinations at each balance sheet date. At December 31, 1998 and 1999, the Company's debt securities are classified as available for sale.

As of December 31, 1998, the Company owned an interest in a municipal bond with a cost basis of $1,200,000. This investment was carried at cost, which approximated its fair market value at December 31, 1998. The Company's ownership interest in the municipal bond had a coupon option under which the interest rate earned by the Company was adjusted every 35 days if the Company elected to continue to hold the investment.

As of December 31, 1998 and 1999, the Company owned asset-backed commercial paper stated at cost of $5,956,162 and $13,798,244, respectively, which approximated its fair value at December 31, 1999. The Company's investment in asset-backed commercial paper matured within 8 days and 32 days of December 31, 1998 and 1999, respectively.

The fair value of marketable securities is estimated based on quoted market prices.

Property and Equipment Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which are currently three to five years.

Intangible Assets and Goodwill Intangible assets, which consist primarily of the customer base, patents and other intangible assets acquired in the acquisition of HMTF Acquisition, are being amortized on the straight-line basis over three to ten years.

Goodwill resulting from the acquisition of HMTF Acquisition is being amortized over a period of five years.

The carrying value of goodwill and other intangible assets will be reviewed if the facts and circumstances suggest that they may be permanently impaired. If a comparison of the undiscounted cash flow method to the carrying value of goodwill and other intangible assets indicates that these assets will not be recoverable, the assets will be reduced to their estimated recoverable value. Estimated recoverable value is determined by applying the discounted cash flow method.

Research and Development Costs Research and development costs, consisting of the costs of designing, developing, and testing new or significantly enhanced products, are expensed as incurred.

Revenue Recognition

Revenues are recognized when title to the product transfers to the customer. Provision is made currently for estimated returns.

Stock-Based Compensation The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations in accounting for its employee stock options.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) Warranty Costs The Company provides a one-year warranty on all products and records a related provision for estimated warranty costs at the date of sale.

Foreign Currency Translation The accompanying financial statements have been prepared using the United States (U.S.) dollar as the functional currency, except that the Deutsch Mark (DM) is used as the functional currency for Microtune GmbH. Financial statements of operations of Microtune GmbH outside of Germany are translated into DM using exchange rates in effect at period end for assets and

liabilities and average exchange rates during the period for results of operations. The resulting translation adjustments are included in the results of operations. Adjustments resulting from the translation of the DM financial statements of Microtune GmbH into U.S. dollars are included as a component of stockholders' equity.

Income Taxes

The Company's income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefit only to the extent, based on available evidence, it is more likely than not such benefit will be realized.

Earnings Per Share

Basic earnings (loss) per common share is computed using the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per common share is computed using the weighted average number of common shares outstanding during each period and common equivalent shares consisting of preferred stock and stock options (using the treasury stock method), if dilutive. All outstanding options and shares to be issued upon the conversion of convertible preferred stock have not been included in the computation of diluted earnings per share for all periods presented as the effect would not be dilutive.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners.

Concentrations of Credit Risk Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. Products are sold to customers in the broadband communications industry internationally, principally in Europe and the United States. The Company continually evaluates the creditworthiness of its customers' financial condition and generally does not require collateral. Microtune GmbH also maintains credit insurance covering certain receivables. The Company has not experienced significant losses on uncollectible accounts.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) Recent Accounting Pronouncements In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", which, as amended, is required to be

adopted by the Company beginning January 1, 2001. The Company does not currently use derivatives, however, as such instruments may be used in the future, it is uncertain what, if any, impact the adoption of Statement 133 will have on the earnings or the financial position of the Company.

Risk and Uncertainties The future results of operations and financial condition of the Company will be impacted by the following factors, among others: the level of difficulty experienced in the integration of acquired businesses, dependence on the broadband communications markets, lengthy sales cycle, dependence on third party manufactures and subcontractors, dependence on new personnel, technological change and dependence on new products, international operations, property rights, and product liability.

3. Inventories

Inventories consist of the following (in thousands):

March 31, 2000

Finished goods	$ 4,208
Work-in process	2,184
Raw materials	3,814
	$10,206

4. Commitments

In May 1998, the Company entered into a five-year operating lease for office space. The lease requires no rent payments during the first three years. In November 1999, the Company modified the lease to include additional office space. Lease expense under this lease is recognized on the straight-line basis over the lease term. Microtune GmbH leases its administrative, sales and marketing and research and development facility in Germany under an operating lease with a twenty two year term, which began in December 1999. The Company also leases certain other facilities, equipment and computer software under operating leases. Future minimum lease payments required under operating leases that have an initial or remaining noncancelable lease terms in excess of one year as of March 31, 2000 are as follows (in thousands):

Nine months ended December 31, 2000	$ 1,356
Year ended December 31, 2001	1,235
Year ended December 31, 2002	974
Year ended December 31, 2003	921
Year ended December 31, 2004	655
Thereafter	5,271
	$10,412

As of March 31, 2000, future minimum payments required under the operating lease for the facility in Germany include $3.5 million guaranteed by Microtune GmbH relating to obligations issued to finance the land and building.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) Rent expense for the years ended December 31, 1997, 1998 and 1999, was $75,516, $70,082 and $72,783, respectively.

The Company is involved in legal proceedings that arise in the ordinary course of business. In the opinion of management, the outcome of pending legal proceedings will not have a material adverse affect on the consolidated financial statements.

5. Note Payable

At March 31, 2000, Microtune GmbH has credit agreements with two banks which provide for borrowings of up to $2.9 million under each agreement. One of the agreements is cancellable upon notification by the bank and the second agreement expires August 31, 2000. Borrowings under these agreements bear interest at rates determined from time to time by the banks (6.50% and 6.75%, respectively, at March 31, 2000). At March 31, 2000, no borrowings were outstanding under these credit agreements.

6. Income Taxes

The provision (benefit) for income taxes is reconciled with the U.S. federal statutory rate as follows (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	1997	1998	1999	1999	2000
Expense (benefit) computed at the U.S. federal statutory rate.....	$(818)	$(1,198)	$(2,893)	$(564)	$(5,575)
Benefit of losses not recognized..	736	1,196	2,887	564	1,121
Acquired in-process research and development costs for which no tax benefit was recognized.....	--	--	--	--	4,315
Non-deductible goodwill amortization.....	--	--	--	--	508
Other, net.....	82	2	6	--	(5)
Income tax provision (benefit)....	$ --	$ --	$ --	$ --	$ 364

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) The significant components of the Company's deferred tax liabilities and assets are as follows (in thousands):

December 31, ---------- March 31, 1998 1999 2000

Deferred tax liabilities:			
Accrued expenses.....	$ --	$ --	$ 897
Unrealized foreign currency gains.....	--	--	364
Property and equipment.....	59	--	317
Identifiable intangible assets.....	--	--	3,925

Other	6	--	--
Total deferred tax liabilities	65	--	5,503
Deferred tax assets:			
Inventory	--	--	75
Property and equipment	--	115	137
Accrued expenses	48	--	--
Net operating losses	2,133	4,892	5,980
Research and development credits	251	383	441
Other, net	199	129	224
Total deferred tax assets	2,631	5,519	6,857
Valuation allowance	2,566	5,519	6,691
Total deferred tax liabilities, net	$ --	$ --	$5,337

The Company has established a valuation allowance to fully reserve its U.S. deferred tax assets at December 31, 1998 and 1999 and March 31, 2000 due to the uncertainty of the timing and amount of future taxable income. For federal income tax purposes, at December 31, 1999, the Company had a net operating loss carryforward of approximately $14,300,000 and an unused research and development credit carryforward of approximately $383,000, which begins to expire in the year 2011. The occurrence of a change in ownership, as defined in the Internal Revenue Code, may limit utilization of the U.S. federal net operating loss and research and development credit carryforwards.

The income tax returns of the Company, HMTF Acquisition and Microtune GmbH are subject to review and examination in the various jurisdictions in which they operate. Management believes that all income tax issues which have been or may be raised as a result of such reviews and examinations will be resolved with no material impact on the financial position or future results of operations of the Company.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) 7. Convertible Preferred Stock The Company has authorized 18,998,513 shares of $0.001 par value preferred stock, of which 13,998,513 shares have been designated in five series, A through E. Information with respect to each of the five series of preferred stock is summarized below (in thousands, except per share data):

Series A Series B Series C Series D Series E

Number of shares authorized	5,000	1,250	1,500	2,600	3,649
Number of shares issued and outstanding:					
December 31, 1997	4,300	1,000	--	--	--
December 31, 1998	4,000	1,000	1,463	--	--
December 31, 1999	4,000	1,000	1,463	1,367	--
March 31, 2000	4,000	1,000	1,463	1,367	3,318

Conversion ratio of preferred shares into common..... One for two One for two One for two One for two One for two

Liquidation preference	$2.58 per share, plus all declared	$4.00 per share, plus all declared	$6.00 per share, plus all declared	$12.00 per share, plus all declared	$20.56 per share, plus all declared

	but unpaid	but unpaid	but unpaid	but unpaid	but unpaid
	dividends	dividends	dividends	dividends	dividends
Dividend rights.....	$0.2064 per share per annum (if declared) and noncumulative	$0.32 per share per annum (if declared) and noncumulative	$0.48 per share per annum (if declared) and noncumulative	$0.96 per share per annum (if declared) and noncumulative	$1.36 per share annum (if declared) and noncumulative

The preferred stockholders have voting rights equal to the number of common shares they would have upon conversion into common stock. Additionally, preferred stockholders are entitled to receive additional preferred shares based on a prescribed formula if the Company obtains additional private financing at less than the liquidation preference value of the respective stock series. All outstanding shares of preferred stock convert automatically to common stock upon the closing of a firm underwritten public offering of the Company's securities provided the aggregate sales price of such securities equals or exceeds $10,000,000 with respect to the Series A, Series B and Series C preferred stock, and $20,000,000 with respect to the Series D and Series E preferred stock. At December 31, 1999, the Company had 15,660,170 shares of common stock reserved for conversion of the preferred stock.

In August 1996, Cirrus Logic, Inc., and Cirrus Logic International, Ltd. (collectively called Cirrus), and the Company entered into a Formation Agreement whereby Cirrus contributed certain technology, patents, copyrights, trademarks, equipment, and computer software. Additionally, Cirrus committed to provide ongoing support through payment of certain operating expenses to be incurred by the Company for a period of two years. In exchange for the above consideration, the Company issued 1,899,999 shares of Series A preferred stock. The net book value, which totaled $544,574, of the equipment and computer software contributed by Cirrus was recorded as par value of the Series A preferred stock and additional paid-in capital. Operating expenses incurred on behalf of the Company by Cirrus were recorded as a credit to additional paid-in capital as the expenses were incurred (Note 11). In August 1997, the Company repurchased 950,000 shares of Series A preferred stock from Cirrus for $2,895,000. During 1998, the Company repurchased 299,999 shares of Series A preferred stock from Cirrus for $1,091,246.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) In August 1996, the Company issued 1,937,493 shares of Series A Preferred Stock to investors for cash proceeds of $5,000,000. Additionally, the investors contributed cash of $3,000,000 in exchange for 1,162,508 shares of Series A Preferred Stock, which were subject to an escrow agreement. The investors could vote the shares while held in escrow. The escrow agent was required to invest the funds held in escrow in AAA-rated short-term investments, and was required to pay interest earned on the investments to the Company

on a monthly basis. In 1999, the funds held in escrow were released by the escrow agent to the Company upon the successful demonstration by the Company of a working prototype of an integrated circuit.

In connection with the 250,000 shares of Series A Preferred Stock issued to an investor in 1997, the investor received a warrant to purchase 40,698 shares of Series A at an exercise price of $0.01 per share. The warrant shall become exercisable, in whole, only beginning immediately prior to the liquidation, dissolution, or winding up of the Company in which the price per share of the Series A Preferred Stock immediately prior to the liquidation, dissolution, or winding up of the Company is less than $3.00 per share. At December 31, 1999, there are 40,698 shares of Series A Preferred Stock reserved for the exercise of this warrant.

8. Common Stock

At December 31, 1999, 5,222,082 shares of common shares were issued and outstanding under stock repurchase and restriction agreements that restrict the transfer of ownership of such stock. Pursuant to the stock purchase and restriction agreements, ownership vests based on employment over periods which range from four to five years from the date of grant. At December 31, 1999, 4,541,452 of these shares were vested. Upon termination of employment of a holder of restricted shares, the Company has the right but not the obligation to purchase any unvested shares, at the stockholder's original cost. At December 31, 1999, 680,630 shares with an original cost of $90,349 were subject to the repurchase right. Further, the Company and certain stockholders have right of first refusal and co-sale rights with respect to sales of both common and preferred shares as specified in a Founders Right of First Refusal and Co- Sale Agreement dated August 21, 1996.

In January 2000, the Board of Directors declared a stock dividend of one share of common stock for each outstanding share of common stock of the Company. The stock dividend would also have the effect of adjusting the conversion prices for each series of Preferred Stock to the Company such that each share of the Company's Preferred Stock would be convertible into two shares of Common Stock. The effect of the stock dividend is reflected retroactively in the accompanying financial statements.

9. Stock Plans

The Company's 1996 Stock Option Plan provides for incentive stock options and nonqualified stock options to be granted to key employees, certain directors, and consultants of the Company. The terms of each option granted under the 1996 Stock Option Plan are established by the Board of Directors. At December 31, 1999, the Company had reserved 10,368,458 shares of common stock for issuance upon exercise of options granted pursuant to the 1996 Stock Option Plan.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) A summary of the Company's stock option activity and related information for the years ended December 31, 1997, 1998 and 1999

follows:

	1997		1998		1999	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of year.....	765,000	$0.09	1,069,000	$0.11	1,843,700	$0.17
Granted.....	449,000	0.14	1,175,900	0.27	2,160,150	0.55
Exercised.....	(24,802)	0.07	(401,200)	0.31	(994,784)	0.22
Canceled.....	(120,198)	0.10	--	--	(64,000)	0.36
Options outstanding at end of year.....	1,069,000	0.11	1,843,700	0.17	2,945,066	0.42
Options exercisable at end of year.....	299,748	0.09	616,768	0.12	419,314	0.21
Weighted average grant-date fair value of options granted during the year.....		$0.04		$0.06		$1.39

The options outstanding at December 31, 1999, have exercise prices which range from $0.025 to $0.875 per share, and have a weighted average remaining contractual life of 8.77 years.

The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock based Compensation, requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense is recorded when the exercise price of the Company's employee stock options equals the fair value of the underlying stock on the date of grant. Compensation equal to the intrinsic value of employee stock options is recorded when the exercise price of the stock options is less than the fair value of the underlying stock on the date of grant. Any resulting compensation is amortized to expense over the vesting periods of the options.

During the year ended December 31, 1999, the Company granted options to purchase 2,160,150 shares of common stock with a weighted average exercise price of $0.55 per share. Although the Company's Board of Directors believed that the exercise price per share assigned to these stock options was equal to the fair value on the dates of grant, the Company concluded an independent appraisal was necessary to validate its estimates of fair value due to the subjective nature of such estimates. Therefore, the Company commissioned an independent appraisal of its common stock as of January 10, 2000. The appraised value was used as a basis to estimate compensation on stock option grants during 1999. Based on this valuation, the Company incurred aggregate deferred stock option compensation expense of $3.4 million related to the options granted in 1999, which is being recognized over the respective vesting periods of the options which range from less than one year to five years.

During the period January 1, 2000 through March 31, 2000, the Company granted options to purchase 4,477,950 shares of common stock with a weighted average exercise price of $0.93. These options have exercise prices which were less than the deemed fair market value of the Company's common stock on

the date of grant, resulting in aggregate deferred stock option compensation expense of $11.2 million, which is being recognized over the respective vesting periods of the options which range from less than one year to six years.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) In January 2000, the Company also granted options to purchase 330,000 shares of the Company's Series E Preferred Stock with an exercise price of $16.00 per share. Upon an initial public offering of the Company's common stock, these options will automatically convert into options to purchase 660,000 shares of common stock with an exercise price of $8.00 per share.

The Company received $98,000 and $118,000 in recourse notes upon exercise of stock options in 1996 and 1998, respectively. Under the terms of the notes, a lump-sum payment is due four years from the date of issuance, with interest accrued at a rate of 6.7% per annum. At December 31, 1999, $206,979 of the notes remained outstanding.

Information regarding pro forma net income is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with no volatility and the following assumptions for 1997, 1998 and 1999, respectively: weighted-average risk free interest rate of 6.24%, 4.65% and 5.49%, no dividends, and weighted average expected life of 5.0, 5.0 and 4.52 years.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

1997 1998 1999 (in thousands, except per share data) Pro forma net loss..... $(2,420) $(3,507) $(8,652) Basic and diluted pro forma loss per share..... $ (0.36) $ (0.52) $ (1.14) 10. Employee Benefit Plans In January 1997, the Board of Directors and Stockholders approved a plan which provides retirement benefits under the provisions of Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees who meet a minimum service requirement. Under the Plan, the Company can elect to make voluntary contributions. No contributions were made by the Company in 1997, 1998 and 1999.

Microtune GmbH sponsors defined benefit retirement plans for its employees. Retirement benefit expense for the three months ended March 31, 2000 was not significant.

Microtune, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) (Information for the Three Months Ended March 31, 1999 and March 31, 2000 is Unaudited) 11. Transactions with Cirrus Logic, Inc.

Under the terms of the Formation Agreement (Note 7) and for partial consideration of stock received, Cirrus agreed to fund certain operating expenses during the Company's start-up period. Additionally, Cirrus agreed to provide rent, phone, and computer network access over a period of two years. In 1997 and 1998, Cirrus contributed $185,409 and $109,456, respectively, to the Company for these expenses. The contribution of these expenses has been classified as additional paid-in capital. In August 1998, the two year period that Cirrus was to pay these expenses expired.

At December 31, 1997, the Company had a payable to Cirrus in the amount of $2,363,273 relating to proceeds received by the Company on behalf of Cirrus from the sale of Series A Preferred Stock by Cirrus to other investors. The Company made a cash payment to Cirrus in January 1998 to settle this obligation.

Report of Ernst & Young Llp, Independent Auditors

The Board of Directors HMTF Acquisition (Bermuda) Ltd.

We have audited the accompanying consolidated balance sheet of HMTF Acquisition (Bermuda) Ltd. (HMTF Acquisition), as of December 31, 1999 and the related consolidated statements of operations, stockholders' equity and cash flows for the period December 23, 1999 through December 31, 1999. We have also audited the consolidated balance sheet of Temic Telefunken Hochfrequenztechnik GmbH (Temic) as of December 31, 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the nine months ended September 30, 1997, the three months ended December 31, 1997, the year ended December 31, 1998, and the period January 1, 1999 through December 22, 1999. These financial statements are the responsibility of the respective companies' managements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 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 financial statements of HMTF Acquisition referred to above present fairly, in all material respects, the consolidated financial position of HMTF Acquisition as of December 31, 1999, and the consolidated results of its operations and its consolidated cash flows for the period December 23, 1999 through December 31, 1999 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statements of Temic referred to above present fairly, in all material respects, the consolidated financial position of Temic as of December 31, 1998, and the consolidated results of its operations and its consolidated cash flows for the nine months ended September 30, 1997, the three months ended December 31, 1997, the year ended December 31, 1998, and the period January 1, 1999 through December 22, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young Llp

Dallas, Texas March 24, 2000 HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH (Note 1) CONSOLIDATED BALANCE SHEETS (U.S. dollars, in thousands, except per share data)

| HMTF

Temic |Acquisition

December 31,|December 31,

1998 | 1999

ASSETS

---------|------------

|

Current assets:

|

Cash and cash equivalents..... $

5,702 | $ 3,936

Accounts receivable, net of allowance for doubtful accounts of $835 at December 31, 1998, and $41|

|

at December 31, 1999.....

6,896 | 7,832

Inventories (Note 3).....

8,161 | 9,869

Loan receivable.....

-- | 391

Deferred income taxes.....

197 | 69

Other current assets.....

1,251 | 2,197

-

------ | -------

Total current assets.....

22,207 | 24,294

-

------ | -------

Property and equipment, at cost (Note 4).....

6,326 | 6,149

Less accumulated depreciation.....

(3,497) | (31)

-

------ | -------

Property and equipment, net.....
2,829 | 6,118

Intangible assets, net of accumulated amortization of $55 (Note 1).....
-- | 7,982

Goodwill, net of accumulated amortization of $155 (Note 1).....
-- | 29,703

Deferred income taxes (Note 8).....
740 | 72

Other assets and deferred charges.....
3 | --

-

------ | -------

Total assets.....
$25,779 | $68,169

======= | =======

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable and accrued liabilities (Note 5)..... $
8,467 | $ 8,923

Employee bonuses (Note 1).....
-- | 3,775

Notes payable.....
1,115 | --

-

------ | -------

Total current liabilities.....
9,582 | 12,698

Employee bonuses (Note 1).....
-- | 515

Deferred income taxes (Note 8).....
1,602 | 5,353

Excess of fair value over cost of net assets acquired net of accumulated amortization of $1,083 at
|
December 31, 1998 (Note 1).....
3,037 | --

Accrued retirement costs (Note 9).....
817 | 606

Commitments and contingencies (Note 6)
|
Stockholders' equity (Note 1):
|
Temic:
|
Subscribed capital.....
3,400 | --

Other comprehensive income.....
512 | --

Retained earnings.....
6,829 | --

HMTF Acquisition:
|
Common stock $0.10 par value:
|
Authorized shares--1,200; issued and outstanding shares--158 at December 31, 1999.....
-- | 16

Additional capital.....
-- | 62,943

Loans receivable from employee stockholders	--	(1,012)
Retained earnings (deficit)	--	(12,950)
Total stockholders' equity	10,741	48,997
Total liabilities and stockholders' equity	$25,779	$68,169

See accompanying notes.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH (Note 1) CONSOLIDATED STATEMENTS OF OPERATIONS (U.S. dollars, in thousands)

	Temic				HMTF Acquisition
	Nine Months Ended September 30, 1997	Three Months Ended December 31, 1997	Year Ended December 31, 1998	1999 Period January 1, Through December 22, 1999	Period December 23, 1999 Through December 31, 1999
Net revenues (Note 10)	$42,413	$13,637	$50,961	$45,178	$ 1,058
Cost of revenues	39,137	8,486	31,960	29,990	719
Gross margin	3,276	5,151	19,001	15,188	339
Operating expenses (Notes 1, 6 and 9):					
Research and development	3,056	221	2,198	2,949	70
Acquired in-process research and development	--	--	--	--	12,692
Selling, general and administrative	5,877	1,673	7,359	6,800	176
Employee bonuses	--	--	--	4,314	--
Amortization of intangible assets, goodwill and excess of fair value over cost of net assets acquired	--	(207)	(827)	(532)	210

Total operating expenses	8,933	1,687	8,730	13,531	13,148		
Profit (loss) from operations	(5,657)	3,464	10,271	1,657	(12,809)		
Other income (expense):							
Interest income	228	61	279	165	5		
Interest expense	(129)	(77)	(108)	(31)	--		
Foreign currency translation and transaction gains (losses), net	935	(1,167)	(885)	1,245	1		
Other	795	(763)	846	795	41		
Income (loss) before provision for income taxes	(3,828)	1,518	10,403	3,831	(12,762)		
Provision (benefit) for income taxes (Note 8)	282	(213)	1,553	1,169	188		
Net income (loss)	$(4,110)	$ 1,731	$ 8,850	$ 2,662	$(12,950)		

See accompanying notes.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH (Note 1) CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (U.S. dollars, in thousands)

	Common Stock			Loans Receivable	Accumulated Other	Retained	Total
	Subscribed Capital	Shares	Amount	Additional Capital	from Stockholders	Comprehen-sive Income	Earnings (Deficit)	Stockholders' Equity
Temic: Balance at December 31, 1996	$3,936	--	$ --	$ 6,560	$ --	$ (195)	$ 1,863	$12,164
Capital contribution	--	--	--	1,464	--	--	--	1,464
Net loss	--	--	--	--	--	--	(4,110)	(4,110)
Unrealized foreign currency loss	--	--	--	--	--	(1,370)	--	(1,370)
Total comprehensive income	--	--	--	--	--	--	--	(5,480)
Balance at September 30, 1997	$3,936	--	$ --	$ 8,024	$ --	$(1,565)	$ (2,247)	$ 8,148
Temic: Acquisition of common stock by management shareholders	$3,400	--	$ --	$ --	$ --	$ --	$ (2,511)	$ 889
Net income	--	--	--	--	--	--	1,731	1,731
Unrealized foreign currency loss	--	--	--	--	--	(48)	--	(48)
Total comprehensive income	--	--	--	--	--	--	--	--
1,683								
Balance at December 31, 1997	3,400	--	--	--	--	(48)	(780)	2,572
Net income	--	--	--	--	--	--	8,850	8,850
Unrealized foreign currency gain (net of income taxes of $512)	--	--	--	--	--	--	--	--

-- 560 -- 560 Total comprehensive income..... -- -- -- -- -- -- 9,410 Dividends paid..... -- -- -- -- -- -- (1,241) (1,241) Balance at December 31, 1998..... 3,400 -- -- -- -- 512 6,829 10,741 Capital contribution... -- -- -- 4,314 -- -- -- 4,314 Net income..... -- -- -- -- -- -- 2,662 2,662 Unrealized foreign currency loss (net of income tax benefit of $795)..... -- -- -- -- -- (795) -- (795) Total comprehensive income..... -- -- -- -- -- -- -- 1,867 Balance at December 22, 1999..... $3,400 -- $ -- $ 4,314 $ -- $ (283) $ 9,491 $16,922 HMTF Acquisition: Issuance of common stock for cash and loans receivable from stockholders..... $ -- 158 $ 16 $62,943 $(1,012) $ -- $ -- $61,947 Net loss..... -- -- -- -- -- -- (12,950) (12,950) Balance at December 31, 1999..... $ -- 158 $ 16 $62,943 $(1,012) $ -- $(12,950) $48,997 See accompanying notes.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH (Note 1) CONSOLIDATED STATEMENTS OF CASH FLOWS (U.S. dollars, in thousands)

	Temic				HMTF Acquisition
	Nine Months Ended September 30, 1997	Three Months Ended December 31, 1997	Year Ended December 31, 1998	Period January 1, 1999 Through December 22, 1999	Period December 23, 1999 Through December 31, 1999
Operating Activities					
Net income (loss).....	$(4,110)	$1,731	$ 8,850	$ 2,662	$(12,950)
Adjustments to reconcile net income (loss) to net cash used in operating activities, net of effects of acquisitions of Temic:					
Depreciation.....	1,033	33	999	1,671	31
Amortization of intangible assets, goodwill and excess of fair value over cost of net assets acquired.....	--	(207)	(827)	(533)	210
Acquired in-process research and development.....	--	--	--	--	12,692
Foreign currency exchange (gains) losses, net.....	(935)	1,168	885	(1,245)	(1)
Deferred income taxes..	--	--	761	81	453
Changes in operating assets and liabilities:					
Accounts receivable...	8,965	(255)	1,282	122	(1,058)
Inventories.....	1,695	1,791	(2,576)	(2,428)	719
Other assets.....	3,526	(451)	207	(904)	(38)
Accounts payable and accrued liabilities..	(587)	3,592	2	(642)	188
Employee bonuses.....	--	--	--	4,290	--
Accrued retirement costs.....	(7)	8	207	(127)	--
Net cash provided by					

(used in) operating activities.....	9,580	7,410	9,790	2,947	246
Investing Activities					
Acquisition of Temic by HMTF Acquisition, net of cash acquired (Note 1).....	--	--	--	--	(58,057)
Net cash acquired in acquisition of Temic by management shareholders (Note 1).....	--	530	--	--	--
Purchase of property and equipment.....	(1,935)	(240)	(3,793)	(4,510)	--
Loans receivable.....	--	--	--	(190)	(200)
Intangible assets.....	--	--	--	(928)	--
Sale of property and equipment.....	26	6	166	221	--
Net cash provided by (used in) investing activities.....	(1,909)	296	(3,627)	(5,407)	(58,257)
Financing Activities					
Additions to notes payable.....	--	--	1,000	--	--
Payments of notes payable.....	(7,431)	(334)	(7,724)	(1,115)	--
Dividends.....	--	--	(1,241)	--	--
Capital contributions..	1,464	889	--	4,314	61,947
Net cash provided by (used in) financing activities.....	(5,967)	555	(7,965)	3,199	61,947
Effect of foreign currency exchange rate changes on cash.....	(434)	(658)	(99)	52	--
Net increase (decrease) in cash and cash equivalents.....	1,270	7,603	(1,901)	791	3,936
Cash and cash equivalents at beginning of period....	149	--	7,603	5,702	--
Cash and cash equivalents at end of period.....	$ 1,419	$7,603	$ 5,702	$ 6,493	$ 3,936
Supplemental cash flow information:					
Interest paid in cash..	$ --	$ --	$ 288	$ 20	$ --
Income taxes paid in cash.....	--	--	90	494	--

See accompanying notes.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH

Notes to Consolidated Financial Statements

December 31, 1999

1. Basis of Presentation General The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (U.S.) and in U.S. dollars.

Acquisition of Temic

HMTF Acquisition (Bermuda) Ltd. (HMTF Acquisition) was incorporated under the laws of Bermuda by HMTF Europe Fund Cayman L.P. (HMTF Europe Fund) as sole shareholder on November 12, 1999 for the purpose of serving as the ultimate parent company in the acquisition of Temic Telefunken Hochfrequenztechnik GmbH (Temic). Temic is a leading provider of RF system solutions, providing high performance RF tuners and transceivers to the broadband communications markets. In December 1999, HMTF Europe Fund and certain shareholders and members of management of Temic contributed approximately $62.9 million to HMTF Acquisition in exchange for 158,058 shares of the Company's common stock. Effective December 22, 1999, HMTF Acquisition acquired Temic and Temic became an indirect wholly owned subsidiary of HMTF Acquisition. In connection with the transaction, Temic loaned certain employees $1.1 million to purchase shares of common stock of HMTF Acquisition. The results of operations of Temic are included in results of operations of HMTF Acquisition from the date of acquisition.

The components of the aggregate cost of the acquisition were as follows (in thousands):

Cash transaction consideration..... $60,064 Transaction costs..... 4,938 Total acquisition cost..... $65,002 The cost of the acquisition has been allocated to the assets and liabilities acquired and to acquired in-process research and development, with the remainder recorded as excess cost over net assets acquired, based on preliminary estimates of fair values as follows (in thousands):

Working capital..... $14,840 Property and equipment..... 6,149 Intangible assets..... 8,037 Goodwill..... 29,858 Acquired in-process research and development costs charged to expense..... 12,692 Deferred income taxes..... (4,020) Other assets and liabilities, net..... (2,554) $65,002 The estimates of fair value were determined by management based on information furnished by management of Temic and a preliminary independent valuation. The final allocation of the purchase price will be based on a complete evaluation of the assets and liabilities of HMTF Acquisition.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 Although management does not expect the final valuation of the assets and liabilities acquired to result in values that are significantly different from the estimates included in the table above, there can be no assurance that such differences will not occur.

Amounts allocated to acquired in-process and development were expensed at the date of acquisition because the purchased research and development had not reached technological feasibility based on the status of design and development activities that required further refinement and testing. The acquired in- process research and development projects were assessed, analyzed and valued using the exclusion approach articulated by the Securities and Exchange Commission. The estimates used in valuing the research and development were based upon assumptions regarding future events and circumstances management believes to be reasonable, but that are inherently uncertain and unpredictable. The relative stage of completion and projected operating cash flows of the underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the valuation analysis of the acquired in-process research and development. Such uncertainties could give rise to unforeseen budget overruns and revenue shortfalls in the event that the Company is unable to successfully complete and commercialize the projects.

The acquired in-process technology relates to the development of new tuners and modules for cable modem, set-top box, multimedia and automotive applications, focusing on increased functionality, cost effectiveness and size reduction, while maintaining a low level of power consumption. The estimated percentage completion of the development projects as of the acquisition date was approximately 70%, 50%, 70% and 60% for projects in the cable modem, set- top box, multi-media and automotive product groups, respectively.

The value of the acquired in-process research and development was determined by discounting the estimated projected net cash flows related to the applicable products for the next ten years, including costs to complete the development of the technology and the future revenues to be earned upon release of the products. The rate utilized to discount the net cash flows to present value of 22% was based on the weighted average cost adjusted for the risks associated with the estimated growth, profitability, developmental and market risks of the acquired development projects. Projected net cash flows from such products are based on estimates of revenues and operating profits related to such products.

Management expects that products developed from the research and development will generally be released during 2000 through 2002. Management expects that the purchased research and development generally will be successfully developed into commercially viable products. However, there can be no assurance that commercial viability or timely release of these products will be achieved.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 The following unaudited pro forma information presents the results of operations of HMTF Acquisition as if the acquisition of Temic had occurred as of January 1, 1998. The pro forma information has been prepared by combining the results of operations of HMTF Acquisition and Temic with adjustments to eliminate the 1999 charge for acquired in-process research and development costs and to record additional amortization expense and the impact on the provision for

income taxes resulting from the application of purchase accounting. The pro forma information does not purport to be indicative of what would have occurred had the acquisition occurred as of that date, or of results of operations that may occur in the future (in thousands):

Years Ended December 31, 1998 1999

Revenue	$50,961	$46,236
Income (loss) from operations	$ 509	$(3,307)
Net income (loss)	$ 38	$(1,493)

Financial Statements of Temic Prior to the Date of Acquisition by HMTF Acquisition Temic was organized under the laws of Germany on October 1, 1996 as an indirect wholly owned subsidiary of DaimlerChrysler to operate the RF systems solutions business of Temic Telefunken microelectronics GmbH (TTM), another wholly owned subsidiary of DaimlerChrysler. On September 30, 1997, Microtune was acquired by certain members of management (Management Shareholders) of Temic for approximately $889,000. The cost of the acquisition was allocated to the fair value of assets and liabilities acquired. The excess of the fair value of the net assets acquired over the cost of the acquisition was first recorded as a reduction of noncurrent assets with the remainder recorded as a deferred credit which was amortized over a period of five years.

The statements of operations, cash flows and stockholders equity of Temic for the nine months ended September 30, 1997 have been prepared using the historical basis of accounting of the assets and liabilities to TTM. The balance sheet of Temic as of December 31, 1998 and the related statements of operations, cash flows and stockholders equity for the three months ended December 31, 1997, the year ended December 31, 1998 and the period January 1, 1999 through December 22, 1999 (the date Temic was acquired by HMTF Acquisition) have been prepared using the basis of the assets and liabilities to the Management Shareholders.

Footnote Information

Certain amounts presented in the notes to the consolidated financial statements for the years ended December 31, 1999 and 1997 include information for the full fiscal year for ease of comparison and because such amounts are not impacted by the changes in accounting basis resulting from the acquisition transactions described above.

2. Summary of Significant Accounting Policies Consolidation The consolidated financial statements of the HMTF Acquisition and Temic include the accounts of their respective majority-owned subsidiaries during the periods presented. All intercompany accounts have been eliminated.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 Use of 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 accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents Cash and cash equivalents consist of bank deposits and money market funds. Highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Inventories

Inventories are stated at the lower of standard cost, which approximates actual cost determined on a first-in, first-out basis, or estimated realizable value.

Property and Equipment Property and equipment are recorded at cost and depreciated using straight-line or accelerated methods over the estimated useful lives of the assets.

Intangible Assets and Goodwill Intangible assets, which consist primarily of the customer base, patents and other intangible assets acquired in the acquisition of Temic, are being amortized on the straight-line basis over one to five years.

Goodwill resulting from the acquisition of Temic is being amortized over a period of five years.

The carrying value of goodwill and other intangible assets will be reviewed if the facts and circumstances suggest that they may be permanently impaired. If a comparison of the undiscounted cash flow method to the carrying value of goodwill and other intangible assets indicates that these assets will not be recoverable, the assets will be reduced to its estimated recoverable value. Estimated recoverable value is determined by applying the discounted cash flow method.

Revenue Recognition

Revenues are recognized when title to the product transfers to the customer. Provision is made currently for estimated returns.

Research and Development Costs Research and development costs, consisting of the costs of designing, developing, and testing new or significantly enhanced products, are expensed as incurred.

Income Taxes

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefit only to the extent, based on available evidence, it is more likely than not such benefit will be realized.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 Warranty Costs Microtune GmbH provides a one-year warranty on all products and records a related provision for estimated warranty costs at the date of sale.

Foreign Currency Translation The accompanying financial statements have been prepared using the Deutsch Mark (DM) as the functional currency. Financial statements of operations outside of Germany are translated into DM using exchange rates in effect at period end for assets and liabilities and average

exchange rates during the period for results of operations. The resulting translation adjustments are included in the results of operations. Adjustments resulting from the translation of the DM financial statements into U.S. dollars are included as a component of stockholders' equity.

Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Recent Accounting Pronouncement In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended, is required to be adopted by HMTF Acquisition on January 1, 2001. HMTF Acquisition does not currently use derivatives, however, as such instruments may be used in the future, it is uncertain what, if any, impact the adoption of Statement 133 will have on the earnings or the financial position of HMTF Acquisition in the future.

Concentrations of Credit Risk Financial instruments that potentially subject HMTF Acquisition and Temic to concentrations of credit risk consist primarily of trade accounts receivable. Products are sold to customers in the broadband communications industry internationally, principally in Europe and the United States. HMTF Acquisition and Temic continually evaluate the creditworthiness of their customers' financial condition and generally do not require collateral. HMTF Acquisition also maintains credit insurance covering certain receivables. HMTF Acquisition and Temic have not experienced significant losses on uncollectible accounts.

Risks and Uncertainties The future results of operations and financial condition of HMTF Acquisition could be impacted by the following factors, among others: dependence on the broadband communications industry, lengthy sales cycle, dependence on third party manufactures and subcontractors, product concentration, dependence on a few significant customers, competition, dependence on key personnel, technological change and dependence on new products, international operations, proprietary rights, and product liability.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 3. Inventories Inventories consist of the following (in thousands):

December 31, 1998 1999 Finished goods..... $4,695 $4,350 Work-in-process..... 915 1,432 Raw materials..... 2,551 4,087 $8,161 $9,869 4. Property, Plant and Equipment Property, plant and equipment consist of the following (in thousands):

December 31, ---------- Estimated 1998 1999 Useful Lives

Manufacturing equipment.....	$2,097	$3,810	2 to 7 years
Other equipment.....	3,292	1,051	2 to 6 years
Furniture and fixtures.....	230	408	4 to 6 years
Computer software.....	707	880	3 to 4 years
	$6,326	$6,149	

5. Accounts Payable and Accrued Liabilities Accounts payable and accrued liabilities consist of the following (in thousands):

December 31, 1998 1999

Accounts payable	$3,493	$4,333
Accrued payroll and benefits	209	273
Accrued warranty obligation	657	387
Accrued income taxes (Note 8)	1,295	925
Deferred income taxes (Note 8)	96	269
Other	2,717	2,736
	$8,467	$8,923

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999

6. Commitments and Contingencies Temic leases its administrative, sales and marketing and research and development facility in Germany under an operating lease with a twenty two year term beginning in December 1999. Certain other facilities and equipment are also leased under operating leases. Future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1999, as follows (in thousands):

2000	$ 1,467
2001	882
2002	886
2003	891
2004	655
Thereafter	5,271
	$10,052

As of December 31, 1999, future minimum payments required under the operating lease for the facility in Germany include $3.5 million guaranteed by Temic relating to obligations issued to finance the land and building.

Rent expense for the nine months ended September 30, 1997, the three months ended December 31, 1997, the year ended December 31, 1998, the period January 1, 1999 through December 22, 1999 and the period December 23, 1999 through December 31, 1999 was $232,000, $105,000, $616,000, $921,000 and $22,000, respectively.

Temic is involved in legal proceedings that arise in the ordinary course of business. In the opinion of management, the outcome of pending legal proceedings will not have a material adverse affect on the consolidated financial statements.

7. Note Payable

In August 1998, Temic borrowed $1,000,000 from a bank at an interest rate of 2.56% per annum. All principal and interest due under the note was due and paid in May 1999.

At December 31, 1999, Temic had credit agreements with two banks which provide for borrowings of up to $2.9 million under each agreement. One of the agreements is cancellable upon notification by the bank and the second agreement expires August 31, 2000. Borrowings under these agreements bear

interest at rates determined from time to time by the banks (6.50% and 6.75%, respectively, at December 31, 1999). At December 31, 1999, no borrowings were outstanding under these credit agreements.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 8. Income Taxes HMTF Acquisition is not subject to income taxes in Bermuda. All of the income before provision for taxes on income and the related provision for taxes on income of HMTF Acquisition relates to operations in jurisdictions other than Bermuda. Temic is subject to income taxes in Germany. However, Temic has substantial operations in other jurisdictions. The relationship between income before provision for taxes on income and the provision for taxes on income varies from period to period because each jurisdiction in which Temic operates has its own system of taxation (not only with respect to the nominal rate, but also with respect to the allowability of deductions, credits and other benefits) and because the amounts earned in, and subject to tax by, each jurisdiction changes from period to period. The reconciliation of income taxes computed at the German statutory rate and the provision for taxes on income is as follows (in thousands):

	Nine Months Ended September 30, 1997	Three Months Ended December 31, 1997	Year Ended December 31, 1998	Period January 1, 1999 Through December 22, 1999	Period December 23, 1999 Through December 31, 1999
Provision (benefit) for taxes on income (loss) at the applicable German statutory rates.....	$(1,914)	$ 759	$ 5,202	$1,916	$(6,381)
Effect of income taxes other than German statutory rates.....	(139)	90	(369)	(582)	--
Acquired in-process research and development costs for which no tax benefit was recognized.....	--	--	--	--	6,346
Utilization of net operating loss carryover.....	--	(668)	(1,678)	(170)	--
Unbenefited net operating losses.....	2,335	--	--	--	--
Adjustment of deferred tax asset valuation allowance.....	--	(394)	(1,602)	--	--
Income not subject to tax.....	--	--	--	(66)	--
Non-deductible goodwill amortization.....	--	--	--	--	90
Other.....	--	--	--	71	133
Provision (benefit) for income taxes.....	$ 282	$(213)	$ 1,553	$1,169	$ 188

The components of the provision for taxes on income are as follows (in thousands):

	Nine Months Ended September 30, 1997	Three Months Ended December 31, 1997	Year Ended December 31, 1998	Period January 1, 1999 Through December 22, 1999	Period December 23, 1999 Through December 31, 1999
Current provision (benefit).....	$282	$(213)	$1,237	$ 226	$ 21
Deferred provision (benefit).....	--	--	316	943	167
Provision (benefit) for income taxes.....	$282	$(213)	$1,553	$1,169	$188

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 The significant components of the deferred tax liabilities and assets are as follows (in thousands):

December 31, 1998 1999

Deferred tax liabilities:		
Accrued expenses	$1,089	$ 938
Unrealized foreign currency gains	418	430
Property and equipment	226	359
Identifiable intangible assets	--	4,187
Other	4	16
Total deferred tax liabilities	1,737	5,930
Deferred tax assets:		
Excess of fair value over cost of net assets acquired	777	--
Inventory	80	83
Accrued expenses	81	123
Net operating loss carryover	--	243
Other, net	38	--
Total deferred tax assets	976	449
Total deferred tax liabilities, net	$ 761	$5,481

At December 31, 1999, Temic had net operating loss carryforwards for German income tax purposes of $486,000 which may be carried forward indefinitely.

The income tax returns of HMTF Acquisition and Temic are subject to review and examination in the various jurisdictions in which they operate. Management believes that all income tax issues which have been or may be raised as a result of such reviews and examinations will be resolved with no material impact on the financial position or future results of operations of HMTF Acquisition.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 9. Retirement Plans Temic sponsors defined benefit retirement plans for its employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets at December 31, 1998 and 1999 (in thousands):

December 31, 1998 1999

Change in benefit obligation:		
Benefit obligation at beginning of period	$ 739	$1,091
Service cost	119	181
Interest cost	68	101
Actuarial (gains) losses	108	(125)
Benefits paid	--	(53)
Foreign currency exchange rate changes	57	(90)
Benefit obligation at end of period	$1,091	$1,105
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 171	$ 223
Actual return on plan assets	41	41
Company contributions	--	305
Benefits paid	--	(53)
Foreign currency exchange rate changes	11	(17)
Fair value of plan assets at end of period	$ 223	$ 499
Funded status:		
Funded status of the plan (underfunded)	$ (868)	$ (606)
Unrecognized net actuarial loss	51	--
Aggregate accrued retirement costs	$ (817)	$ (606)

The following table provides the components of net periodic retirement costs as determined by independent actuaries for the years ended December 31, 1997, 1998 and 1999 (in thousands).

1997 1998 1999

Service cost..... $ 94 $119 $181 Interest cost..... 54 68 101 Expected return on plan assets..... (20) (27) (46) Net periodic benefit cost..... $128 $160 $236 Net periodic retirement costs charged to expense were $117,000, $11,000, $160,000, $230,000 and $6,000 for the nine months ended September 30, 1997, the three months ended December 31, 1997, the year ended December 31, 1998, the period January 1, 1999 through December 22, 1999 and the period December 23, 1999 through December 31, 1999.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 Gains and losses in excess of 10% of the greater of the benefit obligation and the market value of assets are amortized over the remaining service period of active participants. Temic's unfunded German retirement benefit plan had an accumulated benefit obligation of $352,000 and $359,000 at December 31, 1998 and 1999, respectively.

The assumptions used in the measurement of the benefit obligation are shown in the following table:

1997 1998 1999

Weighted-average assumptions: Discount rate..... 6% to 12% 6% to 12% 6% to 12% Increase in future compensation levels..... 3% to 11% 3% to 11% 3% to 11% Expected long-term rate of return on assets..... 12% 12% 12% 10. Segment Information HMTF Acquisition and Temic operate in a single business segment, providing RF system solutions to the broadband communications market. The administrative, sales and marketing, and research and development facility is located in Germany and manufacturing facilities are located in the Philippines. Sales are made to customers internationally, primarily in the United States and Europe. Revenues by geographical area are summarized below for the years ended December 31 (in thousands):

1997 1998 1999

North America.....	$23,435	$18,045	$21,400
Europe.....	21,655	22,651	12,795
Asia Pacific.....	9,760	7,340	10,010
Other.....	1,200	2,925	2,031
	$56,050	$50,961	$46,236

The locations of property and equipment are summarized below:

December 31, 1998 1999

Germany.....	$1,870	$2,994
Philippines.....	898	3,061
United States.....	61	63
	$2,829	$6,118

Sales to DaimlerChrysler represented approximately 21.8%, 25.0%, and 28.6% of consolidated revenues during 1997, 1998, and 1999, respectively. Sales to ATI represented approximately 2.8%, 3.3%, and 14.1% of consolidated revenues during 1997, 1998, and 1999, respectively. Sales to Beko Electronics represented approximately 12.7% and 11.6% of consolidated revenues during 1997 and 1998, respectively. The loss of DaimlerChrysler or ATI as customers could have a material adverse impact on future results of operations.

HMTF ACQUISITION (BERMUDA) LTD. TEMIC TELEFUNKEN HOCHFREQUENZTECHNIK GmbH NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) December 31, 1999 11. Subsequent Event--Acquisition by Microtune, Inc.

On January 10, 2000, HMTF Acquisition combined with by Microtune, Inc. (Microtune) in exchange for shares of Microtune's Series E Preferred Stock and warrants to purchase common stock of Microtune. As a result of this transaction, HMTF Acquisition became a wholly owned subsidiary of Microtune.

Glossary

BiCMOS A semiconductor technology which combines bipolar transistors with complementary metal-oxide-semiconductor (CMOS) transistors on the same wafer.

Bi-directional Communication A connection between two points on a broadband network where information can flow in either direction, upstream or downstream, thus enabling interactivity.

Broadband A term used to describe digital communications at a high data rate, typically in excess of 1.5 million bits (1.5 Megabits) per second.

DOCSIS DOCSIS (Data Over Cable Service Interface Specification) is a project conducted by a Cable Television Laboratories, Inc. (CableLabs(R)) and defines interface requirements for cable modems involved in high- speed data distribution over cable television networks.

Dual Conversion A tuner architecture that uses two steps to convert the desired RF channel to the required output. Dual conversion tuners are used in applications where higher performance is required, and especially in receiving signals from a densely packed spectrum.

IC An acronym for "integrated circuit", which means a semiconductor chip that contains many components integrated together.

Interference Undesired signals present in the desired channel signal which, in an analog video system, manifest themselves as unwanted patterns or completely inhibits reception in a digital video system.

Low Noise Amplifier (LNA) A circuit required in all tuners whose performance plays a large role in determining the performance of the overall tuner. The LNA is the first circuit to process a radio frequency signal, and must amplify it without adding significant noise and distortion.

NTSC The National Television Systems Committee defined method used in the United States and elsewhere for encoding analog color television.

OpenCable OpenCable is a project conducted by Cable Television Laboratories, Inc. (CableLabs(R)) and its member companies aimed at obtaining a new generation of set-top boxes that are interoperable.

PacketCable PacketCable is a project conducted by Cable Television Laboratories, Inc. (CableLabs(R)) and its member companies aimed at identifying, qualifying and supporting Internet-based voice and video products over cable systems.

PAL An acronym meaning "Phase Alternating Line", an alternative analog color television method used in Europe (except France) and elsewhere.

PC/TV An acronym used to describe a multimedia computer that can receive and display a television signal.

PDA An acronym meaning "Personal Digital Assistant", which is a palm-sized electronic device used to assist people in organizing their activities. It may combine the function of an address book, calendar and notepad, and, may provide computer and networking functions.

Phase Noise A type of noise that is detrimental to the reception of digitally modulated signals, especially those used in digital cable networks.

Reference Platforms Application designs provided to customers to aid them in rapidly developing their products.

RF Acronym for "Radio Frequency", signifying frequencies of operation in the radio frequency bands, which in the context of this prospectus, means the frequencies in the range of 30 Megahertz (Mhz), or 30 million cycles per second, to 3000 Mhz.

RFIC An acronym meaning "Radio Frequency Integrated Circuit", which is a chip that processes analog signals that are transmitted at radio frequencies.

Single Conversion A tuner architecture that uses one step to convert the desired RF channel to the required output. Single conversion tuners are used in applications where low cost is important.

Snow An undesirable effect of random noise in an analog video display.

Solid State Describes electronic components that are based on semiconductors.

Spurious Emissions Leakage from the tuner or receiver of its internal signals into the broadcast medium. In the context of this document, the broadcast medium is either the cable network or the airwaves.

Terrestrial Refers to broadcasts through the airwaves that are "earthbound", meaning the transmitter and receiver are both on the earth (as opposed to satellite broadcast methods).

Varactor A semiconductor component that is used to tune circuits to operate at specific frequencies. Traditionally, varactors in tuners have been discrete components requiring high voltage power supplies, approximately 30 Volts, rather than the 3 to 5 Volt supplies in typical electronic systems.

Inside Back Cover Page [A caption across the top of the page, left to right --"MICROTUNE RFIC AND MODULE TUNERS" Three pictures of our IC and module tuners off-center (to the right) on the page, with the following captions immediately to the left of each picture -- "RF TUNER MODULE", "MICROTUNER SINGLE-CHIP TUNER" and "MICROMODULE FEATURING THE MICROTUNER".]

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Table of Contents

Page

Prospectus Summary..... 1 Risk Factors..... 6
Use of Proceeds..... 19 Dividend Policy..... 19
Capitalization..... 20 Dilution..... 21
Selected Financial Data..... 22 Management's Discussion and Analysis of Financial Condition and Results of Operations 24
Business..... 32 Management..... 46
Certain Transactions..... 58 Principal Stockholders..... 60 Description of Capital Stock 62
Shares Eligible for Future Sale..... 66
Underwriting..... 68 Legal Matters..... 70
Experts..... 70 Where You Can Find More Information..... 70 Index to Financial Statements..... F-1
Glossary..... G-1 Through and including , 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares

Microtune, Inc.

Common Stock

[Logo]

Goldman, Sachs & Co.

Chase H&Q

SG Cowen

Bear, Stearns & Co. Inc.

Representatives of the Underwriters

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses to be paid by the Registrant, other than the underwriting discounts and commissions payable by the Registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the registration fee and the NASD filing fee.

SEC registration fee..... NASD filing fee..... Nasdaq National Market listing fee..... Blue Sky qualification fees and expenses..... Printing and engraving expenses..... Legal fees and expenses..... Accounting fees and expenses..... Director and Officer liability insurance..... Transfer agent and registrar fees..... Miscellaneous expenses..... Total.....

* To be supplied by amendment.

Item 14. Indemnification of Officers and Directors.

Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant's Certificate of Incorporation and Bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Registrant intends to enter into separate indemnification agreements with its directors, officers and certain employees which would require the Registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status or service (other than liabilities arising from willful misconduct of a culpable nature). The Registrant also intends to maintain director and officer liability insurance, if available on reasonable terms.

These indemnification provisions and the indemnification agreement to be entered into between the Registrant and its officers and directors may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The Registrant intends to obtain in conjunction with the effectiveness of the Registration Statement a policy of directors' and officers' liability insurance that insures the Registrant's directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances.

The underwriting agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act, or otherwise.

Item 15. Recent Sales of Unregistered Securities.

During the past three years, we have issued and sold the following unregistered securities to a limited number of persons as described below (as adjusted to reflect a 2-for-1 stock split of the common stock effective as of January 18, 2000). None of these transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and we believe that each transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

(a) In August 1997, we issued an aggregate of 175,130 shares of Series A preferred stock at a purchase price of $3.1579 per share for an aggregate purchase price of $553,043 to one investor.

(b) In August 1997, we issued an aggregate of 1,000,000 shares of Series B preferred stock at $4.00 per share for an aggregate purchase price of $4,000,000 to 15 investors.

(c) In June and July 1998, we issued an aggregate of 1,462,666 shares of Series C preferred stock at $6.00 per share for an aggregate purchase price of $8,775,996 to 32 investors.

(d) In June 1999, we issued an aggregate of 66,683 shares of Series C preferred stock at $6.00 per share for an aggregate purchase price of $400,098 to two investors.

(e) In October through December 1999, we issued an aggregate of 1,367,418 shares of Series D preferred stock at $12.00 per share for an aggregate purchase price of $16,409,016 to seven investors.

(f) In January 2000, we issued an aggregate of 3,318,513 shares of Series E Preferred Stock and warrants to purchase 2,212,342 shares of common stock at a nominal exercise price to two investors in exchange for all of the outstanding shares of HMTF Acquisition (Bermuda), Ltd., which securities were valued at, in the aggregate, approximately $63 million.

(g) In January 2000, we granted three employees options to purchase 330,000 shares of Series E preferred stock at an exercise price of $16.00 per share.

(h) Between May 1997 and April 2000, we granted options to purchase an aggregate of 8,400,000 shares of common stock to our employees at per share exercise prices ranging from $0.025 to $4.95.

(i) Between May 1, 1997 and April 30, 2000, we issued an aggregate of 1,871,643 shares of our common stock to our employees or other service providers at a range of $0.025 to $0.875 per share upon the exercise of stock options issued under our 1996 Stock Option Plan, for an aggregate purchase price of $424,512.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number Description of Document 1.1* Form of Underwriting Agreement 3.1* Certificate of Incorporation as currently in effect 3.2 Form of Amended and Restated Certificate of Incorporation (to be filed with the Delaware Secretary of State upon the closing of the offering covered by this Registration Statement) 3.3* Bylaws as currently in effect 3.4 Form of Amended and Restated Bylaws (to be effective upon the closing of the offering covered by this Registration Statement) 4.1* Form of Specimen Stock Certificate 4.2* Fourth Amended and Restated Registration Rights Agreement dated effective as of December 31, 1999 5.1 Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, regarding legality of the securities being issued 10.1 Form of Indemnification Agreement, to be entered into between the Registrant and each of its directors and officers, to become effective upon the closing of the offering made under this Registration Statement 10.2 1996 Stock Option Plan 10.3 2000 Stock Plan 10.4 2000 Director Option Plan 10.5 2000 Employee Stock Purchase Plan 10.6 Employment Agreement between Douglas J. Bartek and the Registrant dated March 23, 2000 10.7 Employment Agreement between John P. Norsworthy and the Registrant dated August 8, 1996 10.8 Employment Agreement between James Fontaine and the Registrant dated August 1, 1998 10.9 Standard Commercial Lease dated May 18, 1998 between Jupiter Parkway Village, Ltd. and the Registrant, as amended, for the premises located at 2540 East Plano Parkway, Suite 388, Plano, Texas 75074 10.10 Commercial Lease Agreement dated March 24, 2000 between Jupiter Service Center, Ltd. and the Registrant for the premises located at 2201 10th Street, Plano, Texas 75074 10.11 Property Leasing Contract, as supplemented as of January 1, 2000, between Sanctor Grundstucks-Vermietungsgesellschaft mbH & Co. and Temic Telefunken Hochfrequeztechnik GmbH for facility in Ingolstadt, Germany 10.12 Contract of Lease dated December 10, 1998 between MX Technology Corporation and Temic RF-Technologies (Phils.), Inc. for factory space in the Granville Industrial Complex in Cavite, Philippines 10.13 Sublease Agreement dated December 10, 1998 between Temic RF- Technologies (Phils.), Inc. and NSF RF-Technologies Corporation for factory space in the Granville Industrial Complex in Cavite, Philippines 10.14 Securities Purchase Agreement dated January 10, 2000, effective December 31, 1999, between HMTF Acquisition (Bermuda), Ltd. and the Registrant 10.15 Asset Purchase Agreement between Registrant, The Tuner Company and Thomas Widmer dated January 10, 2000 10.16 Line of Credit dated March 22, 1999 between Deutsche Bank AG and Temic Telefunken Hochfrequenztechnik GmbH Exhibit Number Description of Document

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10.17  Line of Credit dated September 9, 1999 between HypoVereinsbank and
       Temic Telefunken Hochfrequenztechnik GmbH
21.1   List of Subsidiaries and Affiliates of Microtune, Inc.
23.1   Consent of Ernst & Young LLP, independent auditors
23.2   Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation
       (contained in Exhibit 5.1)
24.1   Power of Attorney (contained in the signature page to this
       Registration Statement)
27.1   Financial Data Schedule
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* to be filed by amendment (b) Financial Statement Schedules.

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant 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 hereunder, the Registrant 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.

The undersigned Registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and 2. For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Plano, County of Collin, State of Texas, on the 4th day of May 2000.

Microtune, Inc.

/s/ Douglas J. Bartek By: _____ Douglas J. Bartek Chief Executive Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Douglas J. Bartek and Everett Rogers, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in- fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature Title Date

/s/ Douglas J. Bartek _____ Douglas J. Bartek	Chief Executive Officer and Chairman (Principal Executive Officer)	May 4, 2000
/s/ Everett Rogers _____ Everett Rogers	Chief Financial Officer (Principal Financial and Accounting Officer)	May 4, 2000

/s/ Harvey B. Cash Director May 4, 2000 Harvey B. Cash /s/ Walter S. Ciciora Director May 4, 2000 Walter S. Ciciora Signature Title Date /s/ James H. Clardy Director May 4, 2000 James H. Clardy /s/ Martin Englmeier Vice Chairman May 4, 2000 Martin Englmeier /s/ Kenneth G. Langone Director May 4, 2000 Kenneth G. Langone /s/ Philippe Von Stauffenberg Director May 4, 2000 Philippe von Stauffenberg /s/ Lawrence D. Stuart, Jr. Director May 4, 2000 Lawrence D. Stuart, Jr.

/s/ William P. Tai Director May 4, 2000 William P. Tai

Exhibit Index

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* to be filed by amendment </TEXT>