



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

SALLY MOGLE, On Behalf of Herself)
and All Others Similarly Situated,)
)
Plaintiff,)

v.) Civil Action No. _____

MATTSON TECHNOLOGY, INC.,)
KENNETH KANNAPPAN,)
KENNETH SMITH, FUSEN CHEN,)
SCOTT PETERSON, RICHARD)
DYCK, SCOTT KRAMER, TOM ST.)
DENNIS, BEIJING E-TOWN)
DRAGON SEMICONDUCTOR)
INDUSTRY INVESTMENT CENTER)
and DRAGON ACQUISITION SUB,)
INC.,)
)
Defendants.)

VERIFIED CLASS ACTION COMPLAINT

Plaintiff, by her undersigned attorneys, for this Verified Class Action Complaint against defendants, alleges upon personal knowledge with respect to herself, and upon information and belief based upon, *inter alia*, the investigation of counsel as to all other allegations herein, as follows:

NATURE OF THE ACTION

1. This is a class action brought on behalf of the public stockholders of Mattson Technology, Inc. (“Mattson” or the “Company”) against Mattson and its Board of Directors (the “Board” or the “Individual Defendants”), to enjoin a

proposed transaction announced on December 2, 2015 (the “Proposed Transaction”), pursuant to which Mattson will be acquired by Beijing E-Town Dragon Semiconductor Industry Investment Center (“Parent”) and its wholly-owned subsidiary, Dragon Acquisition Sub, Inc. (“Merger Sub,” and together with Parent, “E-Town Dragon”).

2. On December 1, 2015, the Board caused Mattson to enter into an agreement and plan of merger (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, stockholders of Mattson will receive \$3.80 per share in cash.

3. The Proposed Transaction deprives Mattson’s public stockholders of the ability to participate in the Company’s long-term prospects. Furthermore, in approving the Merger Agreement, the Individual Defendants breached their fiduciary duties to plaintiff and the Class (defined herein). Moreover, as alleged herein, Mattson and E-Town Dragon aided and abetted the Individual Defendants’ breaches of fiduciary duties.

4. Plaintiff seeks enjoinder of the Proposed Transaction or, alternatively, rescission of the Proposed Transaction in the event defendants are able to consummate it.

PARTIES

5. Plaintiff is, and has been continuously throughout all times relevant hereto, the owner of Mattson common stock.

6. Defendant Mattson is a Delaware corporation and maintains its principal executive offices at 47131 Bayside Parkway, Fremont, California 94538. The Company is a technology company that focuses on designing, manufacturing, and marketing semiconductor wafer processing equipment used in the fabrication of integrated circuits. Mattson's common stock is traded on the NasdaqGS under the ticker symbol "MTSN."

7. Defendant Kenneth Kannappan ("Kannappan") is currently a director of Mattson. According to the Company's website, Kannappan is a Chairman of the Board and a member of the Audit Committee and the Compensation Committee.

8. Defendant Kenneth Smith ("Smith") is currently a director of Mattson. According to the Company's website, Smith is Vice Chairman of the Board, Chairman of the Compensation Committee, and a member of the Audit Committee.

9. Defendant Fusen Chen ("Chen") is currently a director of Mattson. According to the Company's website, Chen is President and Chief Executive Officer ("CEO") of the Company.

10. Defendant Scott Peterson (“Peterson”) is currently a director of Mattson. According to the Company’s website, Peterson is Chairman of the Audit Committee and a member of the Nominating and Governance Committee.

11. Defendant Richard Dyck (“Dyck”) is currently a director of Mattson. According to the Company’s website, Dyck is a member of the Compensation Committee.

12. Defendant Scott Kramer (“Kramer”) is currently a director of Mattson. According to the Company’s website, Kramer is Chairman of the Nominating and Governance Committee.

13. Defendant Tom St. Dennis (“St. Dennis”) is currently a director of Mattson. According to the Company’s website, St. Dennis is a member of the Nominating and Governance Committee.

14. The defendants identified in paragraphs seven through thirteen are collectively referred to herein as the “Individual Defendants.” By virtue of their positions as directors and/or officers of Mattson, the Individual Defendants are in a fiduciary relationship with plaintiff and the other public stockholders of Mattson.

15. Each of the Individual Defendants at all relevant times had the power to control and direct Mattson to engage in the misconduct alleged herein. The Individual Defendants’ fiduciary obligations required them to act in the best interest of plaintiff and all Mattson stockholders.

16. Each of the Individual Defendants owes fiduciary duties of loyalty, good faith, due care, and full and fair disclosure to plaintiff and the other members of the Class. The Individual Defendants are acting in concert with one another in violating their fiduciary duties as alleged herein, and, specifically, in connection with the Proposed Transaction.

17. Plaintiff alleges herein that the Individual Defendants, separately and together, in connection with the Proposed Transaction, violated, and are continuing to violate, the fiduciary duties they owe to plaintiff and the Company's other public stockholders, due to the fact that they have engaged in all or part of the unlawful acts, plans, schemes, or transactions complained of herein.

18. Defendant Parent is a limited partnership located in Beijing, China.

19. Defendant Merger Sub is a Delaware corporation and a wholly-owned subsidiary of Parent.

CLASS ACTION ALLEGATIONS

20. Plaintiff brings this action as a class action, pursuant to Court of Chancery Rule 23, on behalf of herself and the other public stockholders of Mattson (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendant.

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

22. The Class is so numerous that joinder of all members is impracticable. As of September 27, 2015, there were approximately 74,009 shares of Mattson common stock outstanding, held by hundreds, if not thousands, of individuals and entities scattered throughout the country.

23. Questions of law and fact are common to the Class, including, among others: (i) whether defendants have breached their fiduciary duties owed to plaintiff and the Class and/or aided and abetted such breaches; and (ii) whether defendants will irreparably harm plaintiff and the other members of the Class if defendants' conduct complained of herein continues.

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

25. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications that would establish incompatible standards of conduct for defendants, or adjudications that would, as a practical matter, be dispositive of the interests of individual members of the Class who are not parties to the adjudications or would substantially impair

or impede those non-party Class members' ability to protect their interests.

26. Defendants have acted, or refused to act, on grounds generally applicable to the Class as a whole, and are causing injury to the entire Class. Therefore, final injunctive relief on behalf of the Class is appropriate.

SUBSTANTIVE ALLEGATIONS

Background of the Company

27. Mattson designs, manufactures, and markets semiconductor wafer processing equipment used in the fabrication of integrated circuits.

28. The Company is a leading supplier of dry strip and rapid thermal processing equipment to the global semiconductor industry.

29. Mattson's strip and RTP equipment utilize innovative technology to deliver advanced processing performance and productivity gains to semiconductor manufacturers worldwide for the fabrication of current- and next-generation devices.

30. The Company is expanding into the etch market with innovative products targeting high volume dielectric etch applications, and is also expanding into the millisecond annealing and thermal oxidation markets. It expects that entry into these new markets will enhance its technical leadership and deliver revenue and profitability gains.

31. The Company is positioned for future growth and success.

32. On April 23, 2015, Mattson issued a press release wherein it announced its results for the first quarter of 2015. Net revenue was \$58.3 million, an increase of \$3.5 million or 6 percent, compared to net revenue of \$54.7 million in the fourth quarter of 2014, and an increase of \$15.1 million or 35 percent, compared to net revenue of \$43.2 million in the first quarter of 2014. Net income was \$6.3 million, or \$0.08 per diluted share, compared to net income of \$5.0 million, or \$0.07 per diluted share, in the fourth quarter of 2014, and net income of \$2.5 million, or \$0.04 per diluted share, in the first quarter of 2014. With respect to the results, Individual Defendant Chen, Mattson's President and CEO, commented:

I am pleased with our results this quarter and the continued discipline in executing our strategy[.] Not only do the financial results for the first quarter of 2015 represent the seventh consecutive profitable quarter on a non-GAAP basis, but the results also mark revenue and net income levels not achieved by the Company since 2007.

33. On July 30, 2015, Mattson issued a press release wherein it announced its results for the second quarter of 2015. Net revenue was in-line with previously issued guidance at \$43.3 million, and net income was \$2.6 million, or \$0.03 per diluted share, representing the eighth consecutive profitable quarter on a non-GAAP basis. With respect to the results, Individual Defendant Chen commented:

I am proud of our success with the continued collaboration with our customers on meeting their technological challenges in manufacturing

leading edge devices[.] The collaboration with our customers is evidenced, in part, from recent announcements regarding shipments of our Millios system in each of the last six quarters, the release of our Suprema™ XP for high volume production at multiple memory fabrication facilities and the shipment of our 100th plasma etch system.

34. Moreover, on October 29, 2015, the Company issued a press release wherein it announced its results for the third quarter of 2015. Net revenue of \$38.9 million was in-line with previously issued guidance. Additionally, net income was \$2.0 million, or \$0.03 per diluted share, which exceeded previously-issued guidance and represented the ninth consecutive profitable quarter on a non-GAAP basis. According to Individual Defendant Chen:

In spite of challenging industry conditions, I am pleased with our ability to achieve top line results at the high end of expectations[.] Further, our flexibility in managing our cost structure to align with changes in industry demand, without sacrificing our focus on our customers' success, enabled us to exceed our own expectations for profitability.

The Inadequate Proposed Transaction and Deal Protection Provisions

35. Despite the Company's prospects for future growth and success, the Board caused the Company to enter into the Merger Agreement, pursuant to which Mattson will be acquired for inadequate consideration.

36. To the detriment of the Company's stockholders, the terms of the Merger Agreement substantially favor E-Town Dragon and are calculated to unreasonably dissuade potential suitors from making competing offers.

37. For example, the Individual Defendants have all but ensured that another entity will not emerge with a competing proposal by agreeing to a “No Solicitation” provision in the Merger Agreement that prohibits the Individual Defendants from soliciting alternative proposals and severely constrains their ability to communicate and negotiate with potential buyers who wish to submit or have submitted unsolicited alternative proposals. Section 5.2(b) of the Merger Agreement states:

(b) Subject to Section 5.2(c), at all times during the period commencing with the execution and delivery of this Agreement and continuing until the earlier to occur of (A) the termination of this Agreement pursuant to Article VIII and (B) the Effective Time, the Company and its Subsidiaries shall not, nor shall they authorize or knowingly permit any of their respective directors, officers or other employees, controlled affiliates, or any investment banker, attorney, accountant or other authorized agent or representative retained by any of them (collectively, “Representatives”) to, directly or indirectly, (i) solicit, initiate or induce the making, submission or announcement of, or knowingly encourage, facilitate or assist, an Acquisition Proposal, (ii) furnish to any Person (other than Parent, Acquisition Sub or any designees of Parent or Acquisition Sub) any non-public information relating to the Company or any of its Subsidiaries, or afford to any Person (other than Parent, Acquisition Sub or any designees of Parent or Acquisition Sub) access to the business, properties, assets, books, records or other non-public information, or to any personnel, of the Company or any of its Subsidiaries, in any such case with the intent to induce the making, submission or announcement of, or the intent to encourage, facilitate or assist, an Acquisition Proposal or the making of any inquiry or proposal that would reasonably be expected to lead to an Acquisition Proposal, (iii) participate or engage in discussions or negotiations with any Person (other than Parent, Acquisition Sub or any designees of Parent or Acquisition Sub) with respect to an Acquisition Proposal or (iv) enter into any Contract contemplating or otherwise relating to an

Acquisition Transaction (other than an Acceptable Confidentiality Agreement).

Section 5.2(a) of the Merger Agreement further provides:

(a) The Company and its Subsidiaries shall immediately cease any and all existing discussions or negotiations with any Persons (other than Parent, Acquisition Sub or any designees of Parent or Acquisition Sub) conducted heretofore with respect to any Acquisition Proposal and terminate such Persons' access to any data room containing the Company's confidential information, and shall as promptly as practicable (and in any event within three (3) Business Days) request the return from all such Persons or the destruction by such Persons of all copies of confidential information previously provided to such Persons by the Company, its Subsidiaries or Representatives.

38. Further, pursuant to Section 5.2(e) of the Merger Agreement, the Company must advise E-Town Dragon, within forty-eight hours, of any proposals or inquiries received from other parties, including, *inter alia*, the material terms and conditions of the proposal and the identity of the party making the proposal.

Section 5.2(e) of the Merger Agreement states:

(e) In addition to the obligations of the Company set forth in Section 5.2(b), the Company shall promptly (and in any event within 48 hours) notify Parent of any receipt by the Company or any of its Representatives of any Acquisition Proposal, including with such notice the material terms and conditions of such Acquisition Proposal and the identity of the Person or group making any such Acquisition Proposal (and shall include with such notice copies of any written materials received from or on behalf of such Person directly concerning such Acquisition Proposal (including any financial terms)). The Company shall keep Parent reasonably informed of the status and material terms of any such Acquisition Proposal, request or inquiry.

39. Moreover, the Merger Agreement contains a highly restrictive “fiduciary out” provision permitting the Board to withdraw its approval of the Proposed Transaction under extremely limited circumstances, and grants E-Town Dragon a “matching right” with respect to any “Superior Proposal” made to the Company. Section 6.6(c) of the Merger Agreement provides, in relevant part:

(c) Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, prior to the receipt of the Requisite Stockholder Approval, the Company Board and/or any authorized committee thereof may make a Company Board Recommendation Change if and only if:

(i) (A) the Company has received an unsolicited, bona fide written Acquisition Proposal that constitutes a Superior Proposal and that does not arise from a breach of Section 5.2(b);

(B) the Company Board and/or any authorized committee thereof shall have determined in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to enter into a definitive agreement relating to such Superior Proposal would reasonably be expected to be inconsistent with its fiduciary duties under Delaware Law;

(C) the Company shall have notified Parent in writing of the Superior Proposal, including providing Parent with the identity of the Person making such Superior Proposal and a copy of the then-current forms of all of the relevant proposed transaction documents related thereto, including definitive agreements with respect to such Superior Proposal (a “Superior Proposal Notice”), *provided* that with respect to any amendment to the financial terms or other material terms of such Superior Proposal, Parent shall be entitled to a new written notice by the Company (a “Superior Proposal Amendment Notice”);

(D) if requested by Parent, the Company shall have made its Representatives available to discuss with Parent’s Representatives any proposed modifications to the terms and conditions of this Agreement

during the period beginning as soon as practicable on the day of delivery by the Company to Parent of such Superior Proposal Notice or such Superior Proposal Amendment Notice, as applicable, and ending at 5:00 p.m. Pacific Time on, in the case of a Superior Proposal Notice, the fourth (4th) day following the day of such delivery or, in the case of a Superior Proposal Amendment Notice, the second (2nd) day following the day of such delivery (provided that such two (2) day period shall be extended if applicable through the end of the original four (4) day period);

(E) the Company has during such four (4) day period or such two (2) day period, as applicable, negotiated, and caused its financial and legal advisors to negotiate, with Parent in good faith (to the extent Parent desires to negotiate) with respect to proposed adjustments to the terms and conditions of this Agreement so that such Superior Proposal ceases to constitute a Superior Proposal; and

(F) if Parent shall have delivered to the Company during such four (4) day period or such two (2) day period, as applicable, a written, binding and irrevocable offer to modify the terms of this Agreement, the Company Board and/or any authorized committee thereof shall have determined in good faith, after considering the terms of such offer by Parent, that the Superior Proposal giving rise to such Superior Proposal Notice or such Superior Proposal Amendment Notice, as applicable, still constitutes a Superior Proposal[.]

40. The Merger Agreement also contains a provision for a “Termination Fee” of \$8,580,000, payable by the Company to E-Town Dragon if the Individual Defendants cause the Company to terminate the Merger Agreement pursuant to the lawful exercise of their fiduciary duties.

41. By agreeing to all of the deal protection devices, the Individual Defendants have locked up the Proposed Transaction and have precluded other bidders from making successful competing offers for the Company.

42. Additionally, the directors and certain executive officers of Mattson entered into a voting agreement, pursuant to which they have agreed to vote their shares in favor of the Proposed Transaction. Accordingly, such shares are already locked up in favor of the merger.

43. The consideration to be paid to plaintiff and the Class in the Proposed Transaction is inadequate because, among other things, the intrinsic value of the Company is materially in excess of the amount offered in the Proposed Transaction.

44. Accordingly, the Proposed Transaction will deny Class members their right to share proportionately and equitably in the true value of the Company's valuable and profitable business, and future growth in profits and earnings.

45. As a result, defendants have breached their fiduciary duties that they owe to the Company's public stockholders.

COUNT I

(Breach of Fiduciary Duties Against the Individual Defendants)

46. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

47. As members of the Company's Board, the Individual Defendants have fiduciary obligations to: (a) undertake an appropriate evaluation of Mattson's net worth as a merger/acquisition candidate; (b) take all appropriate steps to enhance

Mattson's value and attractiveness as a merger/acquisition candidate; (c) act independently to protect the interests of the Company's public stockholders; (d) adequately ensure that no conflicts of interest exist between the Individual Defendants' own interests and their fiduciary obligations, and, if such conflicts exist, to ensure that all conflicts are resolved in the best interests of Mattson's public stockholders; (e) actively evaluate the Proposed Transaction and engage in a meaningful auction with third parties in an attempt to obtain the best value on any sale of Mattson; and (f) disclose all material information to the Company's stockholders.

48. The Individual Defendants have breached their fiduciary duties to plaintiff and the Class.

49. As alleged herein, the Individual Defendants have initiated a process to sell Mattson that undervalues the Company. In addition, by agreeing to the Proposed Transaction, the Individual Defendants have capped the price of Mattson at a price that does not adequately reflect the Company's true value. The Individual Defendants also failed to sufficiently inform themselves of Mattson's value, or disregarded the true value of the Company. Furthermore, any alternate acquiror will be faced with engaging in discussions with a management team and Board that are committed to the Proposed Transaction.

50. As such, unless the Individual Defendants' conduct is enjoined by the Court, they will continue to breach their fiduciary duties to plaintiff and the other members of the Class.

51. Plaintiff and the members of the Class have no adequate remedy at law.

COUNT II

(Aiding and Abetting the Board's Breaches of Fiduciary Duties Against Mattson and E-Town Dragon)

52. Plaintiff repeats and realleges the preceding allegations as if fully set forth herein.

53. Defendants Mattson and E-Town Dragon knowingly assisted the Individual Defendants' breaches of fiduciary duties in connection with the Proposed Transaction, which, without such aid, would not have occurred. In connection with discussions regarding the Proposed Transaction, Mattson provided, and E-Town Dragon obtained, sensitive non-public information concerning Mattson and thus had unfair advantages that are enabling it to pursue the Proposed Transaction, which offers inadequate consideration.

54. As a result of this conduct, plaintiff and the other members of the Class have been and will be damaged in that they have been and will be prevented from obtaining fair consideration for their Mattson shares.

55. Plaintiff and the members of the Class have no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment and relief as follows:

A. Ordering that this action may be maintained as a class action and certifying plaintiff as the Class representative and plaintiff's counsel as Class counsel;

B. Preliminarily and permanently enjoining defendants and all persons acting in concert with them from proceeding with, consummating, or closing the Proposed Transaction;

C. In the event defendants consummate the Proposed Transaction, rescinding it and setting it aside or awarding rescissory damages to plaintiff and the Class;

D. Directing defendants to account to plaintiff and the Class for their damages sustained because of the wrongs complained of herein;

E. Awarding plaintiff the costs of this action, including reasonable allowance for plaintiff's attorneys' and experts' fees; and

F. Granting such other and further relief as this Court may deem just and proper.

Dated: December 14, 2015

RIGRODSKY & LONG, P.A.

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