

ECHELON CORP  
Form PREM14A  
July 16, 2018

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

**SCHEDULE 14A**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-2

**ECHELON CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

**N/A**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1) Common stock, par value \$0.01 per share, of Echelon Corporation (the common stock )

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

As of June 30, 2018, there were outstanding: (1) 4,542,310 shares of common stock; (2) 247,000 shares of common stock issuable upon the exercise of stock options with an exercise price below \$8.50; (3) 425,012 shares of common stock underlying restricted stock units; and (4) 127,419 shares of common stock underlying performance-based restricted stock units.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based upon the sum of: (1) 4,542,310 shares of common stock multiplied by \$8.50 per share; (2) stock options to purchase 247,000 shares of common stock with an exercise price per share below \$8.50 multiplied by \$3.26 per share (the difference between \$8.50 and the weighted average exercise price of \$5.24 per share); (3) 425,012 shares of common stock underlying restricted stock units multiplied by \$8.50 per share; and (4) 127,419 shares of common stock underlying performance-based restricted stock units multiplied by \$8.50 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying the sum calculated in the preceding sentence by \$0.0001245.

(4) Proposed maximum aggregate value of transaction: \$44,110,518.50

(5) Total fee paid: \$5,491.76

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

**Echelon Corporation**  
**2901 Patrick Henry Drive**  
**Santa Clara, CA 95054**

**[ ], 2018**

Dear Echelon Stockholder:

You are cordially invited to attend a special meeting of stockholders, which we refer to as the special meeting, of Echelon Corporation, which we refer to as Echelon, to be held on [ ], 2018, at [ ], Pacific time, at Echelon's principal executive offices, located at 2901 Patrick Henry Drive, Santa Clara, California 95054.

At the special meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of June 28, 2018, as it may be amended from time to time, which we refer to as the merger agreement, by and among Echelon, Adesto Technologies Corporation, which we refer to as Adesto, and Circuit Acquisition Corporation. We refer to the acquisition of Echelon by Adesto as the merger. At the special meeting, you will also be asked to consider and vote on (1) a proposal for the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (2) a proposal to approve the compensation that will or may become payable by Echelon to its named executive officers in connection with the merger on a non-binding, advisory basis.

If the merger is completed, you will be entitled to receive \$8.50 in cash, without interest and subject to any applicable withholding taxes, for each share of common stock that you own (unless you have properly exercised your appraisal rights), which represents a premium of approximately 104% over the closing price of Echelon's common stock on June 28, 2018, the last trading day prior to the public announcement of the merger.

**Echelon's Board of Directors, after considering the factors more fully described in the enclosed proxy statement, has unanimously (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Echelon and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.**

**Echelon's Board of Directors unanimously recommends that you vote (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.**

The enclosed proxy statement provides detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Annex A to this proxy statement.

This proxy statement also describes the actions and determinations of Echelon's Board of Directors in connection with its evaluation of the merger agreement and the merger. We encourage you to read this proxy statement and its

annexes, including the merger agreement, carefully and in their entirety, as they contain important information.

Whether or not you plan to attend the special meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will

revoke any proxy that you have previously submitted. If you fail to return your proxy or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement.

If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

Your vote is very important, regardless of the number of shares that you own.

If you have any questions or need assistance voting your shares, please contact our proxy solicitor:

The Proxy Advisory Group, LLC

18 East 41st Street, Suite 2000

New York, New York 10017

Stockholders May Call:

(888) 557-7699 (Toll-Free From the U.S. and Canada)

or

(212) 616-2180 (From Other Locations)

On behalf of Echelon's Board of Directors, thank you for your support.

Very truly yours,

Ronald A. Sege

Chairman of the Board of Directors, President and

Chief Executive Officer

The accompanying proxy statement is dated [ ], 2018, and, together with the enclosed form of proxy card, is first being mailed on or about [ ], 2018.

**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

**Echelon Corporation**  
**2901 Patrick Henry Drive**  
**Santa Clara, CA 95054**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2018**

Notice is hereby given that a special meeting of stockholders of Echelon Corporation, a Delaware corporation (which we refer to as "Echelon") will be held on [ ], 2018, at [ ], Pacific time, at Echelon's principal executive offices, located at 2901 Patrick Henry Drive, Santa Clara, California 95054, for the following purposes:

1. To consider and vote on the proposal to adopt the Agreement and Plan of Merger, dated as of June 28, 2018, as it may be amended from time to time, by and among Echelon, Adesto Technologies Corporation and Circuit Acquisition Corporation (this agreement is referred to as the "merger agreement");
2. To consider and vote on any proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting;
3. To consider and vote on the proposal to approve the compensation that will or may become payable by Echelon to its named executive officers in connection with the merger on a non-binding, advisory basis; and
4. To transact any other business that may properly come before the special meeting or any adjournment, postponement or other delay of the special meeting.

Only stockholders as of the close of business on [ ], 2018, are entitled to notice of the special meeting and to vote at the special meeting or any adjournment, postponement or other delay thereof.

**Echelon's Board of Directors unanimously recommends that you vote (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Echelon to its named executive officers in connection with the merger on a non-binding, advisory basis.**

Echelon stockholders who do not vote in favor of the proposal to adopt the merger agreement will have the right to seek appraisal of the "fair value" of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger and together with interest (as described in the accompanying proxy statement) to be paid on the amount determined to be "fair value," in lieu of receiving the per share merger consideration if the merger is completed, as determined in accordance with Section 262 of the Delaware General Corporation Law (which we refer to as the "DGCL"), if they properly demand appraisal before the vote is taken on the merger agreement and comply with all other requirements of Delaware law, including Section 262 of the DGCL, which are summarized in the accompanying proxy statement, and if certain conditions are met. Section 262 of the DGCL is reproduced in its

entirety in Annex C to the accompanying proxy statement and is incorporated in this notice by reference.

Whether or not you plan to attend the special meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted.



If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

By Order of the Board of Directors,

Alicia Jayne Moore

*SVP, Chief Legal and Administration Officer and Secretary*

Dated: [ ], 2018

Santa Clara, CA

### IMPORTANT INFORMATION

**Whether or not you plan to attend the special meeting in person, we encourage you to submit your proxy as promptly as possible (1) over the internet; (2) by telephone; or (3) by signing and dating the enclosed proxy card and returning it in the accompanying prepaid reply envelope. You may revoke your proxy or change your vote at any time before your proxy is voted at the special meeting.**

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares of common stock held in street name. If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, and that will have the same effect as voting against the adoption of the merger agreement.

If you are a stockholder of record, voting in person by ballot at the special meeting will revoke any proxy that you previously submitted. If you hold your shares through a bank, broker or other nominee, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares in order to vote in person by ballot at the special meeting.

We encourage you to read the accompanying proxy statement and its annexes, including all documents incorporated by reference into the accompanying proxy statement, carefully and in their entirety. If you have any questions concerning the merger, the special meeting or the accompanying proxy statement, would like additional copies of the accompanying proxy statement, or need help voting your shares of common stock, please contact our proxy solicitor:

The Proxy Advisory Group, LLC

18 East 41st Street, Suite 2000

New York, New York 10017

Stockholders May Call:

(888) 557-7699 (Toll-Free From the U.S. and Canada)

or

(212) 616-2180 (From Other Locations)

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## SUMMARY

*Except as otherwise specifically noted in this proxy statement, Echelon, we, our, us and similar words refer to Echelon Corporation, including, in certain cases, our subsidiaries. Throughout this proxy statement, we refer to the Echelon Board of Directors as the Echelon Board. Throughout this proxy statement, we refer to Adesto Technologies Corporation as Adesto and Circuit Acquisition Corporation as Merger Sub. In addition, throughout this proxy statement we refer to the Agreement and Plan of Merger, dated as of June 28, 2018, as it may be amended from time to time, by and among Echelon, Adesto and Merger Sub, as the merger agreement.*

*This summary highlights selected information from this proxy statement related to the proposed merger of Merger Sub (a wholly owned subsidiary of Adesto) with and into Echelon (which we refer to as the merger ).*

*This proxy statement may not contain all of the information that is important to you. To understand the merger more fully and for a complete description of its legal terms, you should carefully read this proxy statement, including the annexes to this proxy statement and the other documents to which we refer in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section of this proxy statement captioned Where You Can Find More Information. A copy of the merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement, which is the legal document that governs the merger, carefully and in its entirety.*

### **Parties Involved in the Merger**

#### ***Echelon Corporation***

Echelon has pioneered the development of open-standard networking platforms for connecting, monitoring and controlling devices in commercial and industrial applications. With more than 140 million connected devices installed worldwide, Echelon's solutions host a range of applications enabling customers to reduce energy and operational costs, improve safety and comfort, and create efficiencies through optimizing physical systems. Echelon is focusing today on two IoT (Internet of Things) market areas: creating smart cities and smart campuses through connected outdoor lighting systems, and enabling device makers to bring connected products to market faster via a range of IoT-optimized embedded systems.

Echelon's common stock is listed on the Nasdaq Stock Market, which we refer to as Nasdaq, under the symbol ELON. Echelon's principal executive offices are located at 2901 Patrick Henry Drive, Santa Clara, California 95054, and its telephone number is (408) 938-5200.

#### ***Adesto Technologies Corporation***

Adesto is a leading provider of innovative application-specific semiconductors for the IoT era. Adesto's technology is used by more than 2,000 customers worldwide who are creating differentiated solutions across industrial, consumer, medical and communications markets. With its growing portfolio of high-value technologies, Adesto is helping its customers usher in the era of the Internet of Things.

Adesto's common stock is listed on Nasdaq under the symbol IOTS. Adesto's principal executive offices are located at 3600 Peterson Way, Santa Clara, California 95054, and its telephone number is (408) 400-0578.

#### ***Circuit Acquisition Corporation***

Merger Sub is a wholly owned subsidiary of Adesto and was formed on June 22, 2018, solely for the purpose of engaging in the transactions contemplated by the merger agreement. Merger Sub has not engaged in any business

activities other than in connection with the transactions contemplated by the merger agreement.

Merger Sub's principal executive offices are located at c/o Adesto Technologies Corporation, 3600 Peterson Way, Santa Clara, California 95054, and its telephone number is (408) 400-0578.

### **Effect of the Merger**

Upon the terms and subject to the conditions of the merger agreement, and in accordance with the DGCL, at the effective time of the merger, (1) Merger Sub will merge with and into Echelon; (2) the separate corporate existence of Merger Sub will cease; and (3) Echelon will continue as the surviving corporation in the merger and as a wholly owned subsidiary of Adesto. Throughout this proxy statement, we use the term "surviving corporation" to refer to Echelon as the surviving corporation following the merger.

As a result of the merger, Echelon will cease to be a publicly traded company. If the merger is completed, you will not own any shares of capital stock of the surviving corporation as a result of the merger.

The time at which the merger becomes effective (which we refer to as the "effective time of the merger") will occur upon the filing of a certificate of merger with, and acceptance of that certificate by, the Secretary of State of the State of Delaware (or at a later time as Echelon, Adesto and Merger Sub may agree and specify in such certificate of merger).

### **Effect on Echelon if the Merger is Not Completed**

If the merger agreement is not adopted by Echelon stockholders, or if the merger is not completed for any other reason, Echelon stockholders will not receive any payment for their shares of common stock in connection with the merger. Instead, (1) Echelon will remain an independent public company; (2) our common stock will continue to be listed and traded on Nasdaq and registered under the Securities Exchange Act of 1934 (which we refer to as the "Exchange Act"); and (3) we will continue to file periodic reports with the Securities and Exchange Commission (which we refer to as the "SEC").

### **Per Share Merger Consideration**

Upon the terms and subject to the conditions of the merger agreement, at the effective time, each outstanding share of Echelon's common stock (which we refer to as "common stock") (other than shares held by (1) Adesto, Echelon or their respective subsidiaries; or (2) stockholders who have properly and validly exercised, and not withdrawn or otherwise lost, their appraisal rights under Delaware law) will be cancelled and automatically converted into the right to receive \$8.50 in cash, without interest and less any applicable withholding taxes. We refer to this amount as the "per share merger consideration."

At or prior to the closing of the merger, a sufficient amount of cash will be deposited with a designated payment agent to pay the aggregate per share merger consideration. Once an Echelon stockholder has provided the payment agent with his, her or its stock certificates (or affidavit of loss in lieu of a stock certificate) or customary agent's message with respect to book-entry shares, letter of transmittal and the other items specified by the payment agent, the payment agent will promptly pay the stockholder the per share merger consideration. For more information, see the section of this proxy statement captioned "The Merger Agreement Payment Agent, Exchange Fund and Exchange and Payment Procedures."

After the merger is completed, you will have the right to receive the per share merger consideration, but you will no longer have any rights as a stockholder (except that Echelon stockholders who properly and validly exercise and perfect, and do not validly withdraw or otherwise lose, their appraisal rights will have the right to receive a payment for the "fair value" of their shares as determined pursuant to an appraisal proceeding as contemplated by Delaware law, as described below under the section of this proxy statement captioned "The Merger Appraisal Rights").



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## **The Special Meeting**

### ***Date, Time and Place***

A special meeting of Echelon stockholders will be held on [ ], 2018, at [ ], Pacific time, at Echelon's principal executive offices, located at 2901 Patrick Henry Drive, Santa Clara, California 95054. We refer to the special meeting, and any adjournment, postponement or other delay of the special meeting, as the special meeting.

### ***Purpose***

At the special meeting, we will ask stockholders to vote on proposals to (1) adopt the merger agreement; (2) adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### ***Record Date; Shares Entitled to Vote***

You are entitled to vote at the special meeting if you owned shares of common stock as of the close of business on [ ], 2018, which we refer to as the record date. For each share of common stock that you owned as of the close of business on the record date, you will have one vote on each matter submitted for a vote at the special meeting.

### ***Quorum***

As of the record date, there were [ ] shares of common stock outstanding and entitled to vote at the special meeting. The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the special meeting, present in person or represented by proxy, shall constitute a quorum.

### ***Required Vote***

The proposals to be voted on at the special meeting require the following votes:

Proposal 1: Approval of the proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting.

Proposal 2: Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

Proposal 3: Approval of the proposal to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal. This vote will be on a non-binding, advisory basis.

### ***Share Ownership of Our Directors and Executive Officers***

As of the record date, our directors and executive officers beneficially owned, and were entitled to vote, in the aggregate, [ ] shares of common stock, representing approximately [ ] percent of the shares of common stock outstanding on the record date. Our directors and executive officers have informed us that they intend to

vote all of their shares of common stock (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### ***Voting and Proxies***

Any stockholder of record entitled to vote at the special meeting may vote in one of the following ways:

(1) by proxy, by returning a signed and dated proxy card in the accompanying prepaid reply envelope;

(2) by proxy, by granting a proxy electronically over the internet or by telephone; or

(3) in person, by appearing at the special meeting and voting by ballot.

If you are a stockholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by (1) signing another proxy card with a later date and returning it prior to the special meeting; (2) submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy; (3) delivering a written notice of revocation to our Corporate Secretary; or (4) attending the special meeting and voting in person by ballot.

If you are a beneficial owner and hold your shares of common stock in street name through a bank, broker or other nominee, you should instruct your bank, broker or other nominee on how you wish to vote your shares of common stock using the instructions provided by your bank, broker or other nominee. Under applicable stock exchange rules, banks, brokers or other nominees have the discretion to vote on routine matters, but not on non-routine matters. **The proposals to be considered at the special meeting are non-routine matters, and banks, brokers and other nominees cannot vote on these proposals without your instructions. Therefore, it is important that you cast your vote or instruct your bank, broker or nominee on how you wish to vote your shares.**

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person by ballot at the special meeting if you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

### **Recommendation of the Echelon Board and Reasons for the Merger**

The Echelon Board, after considering various factors described in the section of this proxy statement captioned The Merger Recommendation of the Echelon Board and Reasons for the Merger, has unanimously (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Echelon and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Echelon Board unanimously recommends that you vote (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Echelon to our named executive officers in connection with the

merger on a non-binding, advisory basis.

**Fairness Opinion of Piper Jaffray & Co.**

Piper Jaffray & Co. (which we refer to as Piper Jaffray ), financial advisor to Echelon, delivered its opinion to the Echelon Board that, as of June 28, 2018, and based upon and subject to the factors and

assumptions set forth therein, the \$8.50 in cash per share of Echelon common stock to be paid to the holders (other than Adesto and its affiliates) of the outstanding shares of Echelon common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Piper Jaffray, dated June 28, 2018, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement and is incorporated by reference. Piper Jaffray provided its opinion for the information and assistance of the Echelon Board in connection with its consideration of the merger. The Piper Jaffray opinion is not a recommendation as to how any holder of Echelon common stock should vote with respect to the proposal to adopt the merger agreement or any other matter. The engagement letter between Echelon and Piper Jaffray provides for a transaction fee that is estimated, based on the information available as of the date of announcement, at approximately \$1.9 million, the principal portion of which is contingent upon consummation of the merger.

### **Treatment of Equity Awards in the Merger**

The merger agreement provides that Echelon's equity awards that are outstanding immediately prior to the effective time of the merger will be treated as follows in the merger:

#### ***Company Options***

At the effective time of the merger, each option to purchase shares of Echelon common stock (which we refer to as a company option) outstanding and unexercised immediately prior to the effective time of the merger, whether vested or unvested, will, be cancelled and converted into a right to receive an amount in cash, without interest, equal to the product obtained by multiplying (1) the per share merger consideration less the exercise price per share attributable to such company option by (2) the total number of shares of common stock underlying such company option. We refer to this amount as the option consideration. The payment of the option consideration will be subject to any applicable withholding taxes.

With respect to any company options for which the exercise price per share attributable to such company options is equal to or greater than the per share merger consideration, such company options will be cancelled without any cash payment being made in exchange for such cancellation.

#### ***Company RSUs***

At the effective time of the merger, each restricted stock unit (which we refer to as a company RSU) outstanding as of immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into a right to receive an amount in cash, without interest, equal to the product obtained by multiplying (1) the per share merger consideration by (2) the total number of shares of Echelon common stock underlying such company RSU. We refer to this amount as the RSU consideration. For the purposes of this calculation, the number of shares of common stock issuable pursuant to a company RSU will be deemed to be the number of shares issuable following full performance and satisfaction of the target (to the extent applicable). The payment of the RSU consideration will be subject to any applicable withholding taxes.

#### **Employee Benefits**

From and after the effective time of the merger, the surviving corporation will (and Adesto will cause the surviving corporation to) honor all of Echelon's compensatory plans, programs, policies, practices, agreements and arrangements (which we refer to collectively as Echelon benefit plans) and compensation and severance arrangements in accordance with their terms as in effect immediately prior to the effective time of the merger.

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However, except as provided in the following paragraph, nothing will prohibit the surviving corporation from amending or terminating any Echelon benefit plans or compensation or severance arrangements in accordance with their terms or if otherwise required pursuant to applicable law.

For a period of one year following the effective time of the merger and with respect to the continuing employees (as defined below) employed within that period:

the surviving corporation and its subsidiaries will (and Adesto will cause the surviving corporation and its subsidiaries to) either (1) maintain for the benefit of each continuing employee the Echelon benefit plans and any other employee benefits plans (other than opportunity to participate in equity-based benefits, severance and, subject to the previous paragraph, individual employment agreements) of the surviving corporation or any of its subsidiaries (which we refer to as the company plans ) on terms and conditions that are no less favorable in the aggregate than those in effect at Echelon on the date of the merger agreement, and provide benefits to each continuing employee pursuant to such company plans; (2) provide benefits to each continuing employee that, taken as a whole, are no less favorable in the aggregate to those benefits provided to similarly situated employees of Adesto or its affiliates (which we refer to collectively as Adesto benefit plans ); or (3) provide some combination of company plans and Adesto benefit plans such that each continuing employee receives benefits that, taken as a whole, are no less favorable in the aggregate to those benefits provided to similarly situated employees of Adesto;

Adesto or its subsidiaries shall provide continuing employees with severance benefits that are no less favorable in the aggregate to those benefits provided to similarly situated employees of Adesto or its affiliates; and

neither Adesto nor its subsidiaries shall reduce the aggregate cash compensation, including base salary and target incentive compensation opportunity, payable to any continuing employee. Continuing employees means each individual who is an employee of Echelon immediately prior to the effective time of the merger and continues to be an employee of Adesto or one of its subsidiaries (including the surviving corporation) immediately following the effective time of the merger.

To the extent that a company plan or Adesto benefit plan is made available to any continuing employee at or after the effective time of the merger, the surviving corporation and its subsidiaries will (and Adesto will cause the surviving corporation and its subsidiaries to) cause to be granted to such continuing employee credit for all service with Echelon prior to the effective time of the merger for purposes of eligibility to participate, vesting and entitlement to benefits where length of service is relevant (including for purposes of vacation accrual and severance pay entitlement), except that such service need not be credited to the extent that it would result in duplication of coverage or benefits. In addition, and without limiting the generality of the foregoing, (1) each continuing employee will be immediately eligible to participate, without any waiting period, in any and all employee benefit plans sponsored by the surviving corporation and its subsidiaries (other than the company plans) (which we refer to as the new plans ) to the extent that coverage pursuant to any such new plan replaces coverage pursuant to a comparable company plan in which such continuing employee participates immediately before the effective time of the merger (which we refer to as the old plans ); (2) for purposes of each new plan providing medical, dental, pharmaceutical, vision, disability or other welfare benefits to any continuing employee, the surviving corporation will use its reasonable best efforts to cause all waiting periods, pre-existing conditions or limitations, physical examination requirements, evidence of insurability requirements and actively-at-work or similar requirements of such new plan to be waived for such continuing employee and his or her covered dependents, and the surviving corporation will use its reasonable best efforts to cause any eligible expenses incurred by such continuing employee and his or her covered dependents during the portion of



the plan year of the old plan ending on the date that such continuing employee's participation in the corresponding new plan begins to be given full credit pursuant to such new plan for purposes of satisfying all deductible,

co-payments, coinsurance and maximum out-of-pocket requirements applicable to such continuing employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such new plan; and (3) credit the accounts of such continuing employees pursuant to any new plan that is a flexible spending plan with any unused balance in the account of such continuing employee. Any vacation or paid time off accrued but unused by a continuing employee as of immediately prior to the effective time of the merger will be credited to such continuing employee following the effective time of the merger, will not be subject to accrual limits or other forfeiture, and will not limit future accruals.

### **Interests of Echelon's Directors and Executive Officers in the Merger**

When considering the recommendation of the Echelon Board that you vote to approve the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder. In (1) evaluating and negotiating the merger agreement, (2) approving the merger agreement and the merger and (3) recommending that the merger agreement be adopted by Echelon stockholders, the Echelon Board was aware of and considered these interests to the extent that they existed at the time, among other matters. These interests include the following:

the potential accelerated vesting, upon the effective time of the merger, of company options, company RSUs, or both, as described in more detail under the section of this proxy statement captioned "The Merger Treatment of Equity-Based Awards; and

the entitlement of each executive officer to receive payments and benefits pursuant to certain agreements entered into prior to the commencement of discussions or negotiations regarding the merger if, within the applicable period following the merger, the executive officer experiences a qualifying termination of his or her employment, as described in more detail below under the section of this proxy statement captioned "The Merger Interests of Echelon's Directors and Executive Officers in the Merger Payments Upon Termination Following Change of Control.

**If the proposal to adopt the merger agreement is approved, the common stock held by our directors and executive officers will be treated in the same manner as the common stock held by all other stockholders. For more information, see the section of this proxy statement captioned "The Merger Interests of Echelon's Directors and Executive Officers in the Merger.**

### **Appraisal Rights**

If the merger is consummated, Echelon stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfect appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL. This means that these stockholders will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of the judgment at a rate of 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation pays to each stockholder entitled to appraisal an amount in

cash, interest will accrue thereafter only upon the sum of (i) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery, and (ii) interest theretofore accrued, unless paid at that time). The surviving corporation is

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under no obligation to make such voluntary cash payment prior to such entry of judgment. Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares are encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights.

**Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the value of the consideration that they would receive pursuant to the merger agreement if they did not seek appraisal of their shares.**

Only a stockholder of record may submit a demand for appraisal. To exercise appraisal rights, the stockholder of record must (1) submit a written demand for appraisal to Echelon before the vote is taken on the proposal to adopt the merger agreement; (2) not vote, in person or by proxy, in favor of the proposal to adopt the merger agreement; (3) continue to hold the subject shares of common stock of record through the effective time of the merger; and (4) strictly comply with all other procedures for exercising appraisal rights under the DGCL. The failure to follow exactly the procedures specified under the DGCL may result in the loss of appraisal rights. In addition, the Delaware Court of Chancery will dismiss appraisal proceedings in respect of Echelon unless certain conditions are satisfied by the stockholders seeking appraisal, as described further below. The requirements under Section 262 of the DGCL for exercising appraisal rights are described in further detail in this proxy statement, and a copy of Section 262 of the DGCL, the relevant section of the DGCL regarding appraisal rights, is attached as Annex C to this proxy statement. If you hold your shares of common stock through a bank, broker or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or other nominee to determine the appropriate procedures for the making of a demand for appraisal on your behalf by your bank, broker or other nominee.

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

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined under the section of this proxy statement captioned "The Merger Material U.S. Federal Income Tax Consequences of the Merger") in exchange for such U.S. Holder's shares of common stock in the merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the amount of cash that such U.S. Holder receives in the merger and such U.S. Holder's adjusted tax basis in the shares of common stock surrendered in the merger.

A Non-U.S. Holder (as defined under the section of this proxy statement captioned "The Merger Material U.S. Federal Income Tax Consequences of the Merger") generally will not be subject to U.S. federal income tax with respect to the exchange of common stock for cash in the merger unless such Non-U.S. Holder has certain connections to the United States.

For more information, see the section of this proxy statement captioned "The Merger Material U.S. Federal Income Tax Consequences of the Merger." **Stockholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the merger in light of their particular circumstances and any consequences arising under U.S. federal income tax laws or the laws of any state, local or non-U.S. taxing jurisdiction.**

### **Regulatory Approvals Required for the Merger**

No regulatory approvals are expected to be required in connection with the merger.

### **No Solicitation of Other Offers**

Under the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Echelon has agreed to cease and terminate any activities,

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discussions or negotiations with, and terminate any data room access (or other access to diligence) of, any person and its representatives relating to an acquisition transaction (as defined under the section of this proxy statement captioned

The Merger Agreement No Solicitation of Other Offers ) and to request that any person (other than Adesto and its representatives) who executed a confidentiality agreement in connection with its consideration of acquiring Echelon promptly return or destroy all non-public information furnished by or on behalf of Echelon prior to the date of the merger agreement.

Under the terms of the merger agreement, from the date of the merger agreement until the effective time of the merger (or the earlier termination of the merger agreement), Echelon and its directors and executive officers will not and Echelon will not authorize or direct any of its or its subsidiaries' employees, consultants or other representatives, directly or indirectly, to:

solicit, initiate, propose or induce the making, submission or announcement of, or knowingly encourage, facilitate or assist, any proposal that constitutes, or would reasonably be expected to lead to, an acquisition proposal (as defined under the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers );

furnish to any person (other than Adesto, Merger Sub or any of their respective designees) any non-public information relating to Echelon or any of Echelon's subsidiaries or afford to any person access to the business, properties, assets, books, records or other non-public information, or to any personnel, of Echelon or any of Echelon's subsidiaries (other than Adesto, Merger Sub or any of their respective designees), in any such case in connection with any acquisition proposal or with the intent to induce the making, submission or announcement of, or to knowingly encourage, facilitate or assist, an acquisition proposal or the making of any proposal that would reasonably be expected to lead to an acquisition proposal;

participate, or engage in discussions or negotiations, with any person with respect to an acquisition proposal or with respect to any inquiries from third parties relating to the making of, or that would reasonably be expected to lead to, an acquisition proposal;

approve, endorse or recommend any proposal that constitutes, or could reasonably be expected to lead to, an acquisition proposal;

enter into an alternative acquisition agreement (as defined under the section of this proxy statement captioned The Merger Agreement No Solicitation of Other Offers ); or

authorize or commit to do any of the foregoing.

Notwithstanding these restrictions, prior to the adoption of the merger agreement by Echelon stockholders, Echelon and the Echelon Board (or a committee thereof) may, directly or indirectly through one or more of their representatives, following the execution of an acceptable confidentiality agreement: (1) participate or engage in discussions or negotiations with; (2) furnish any non-public information relating to Echelon to; or (3) afford access to the business, properties, assets, books, records or other non-public information, or to any personnel, of Echelon to, in each case, any person that has made or delivered to Echelon a written acquisition proposal that was not solicited in breach of the non-solicitation restrictions above, but only if the Echelon Board (or a committee thereof) has

determined in good faith (after consultation with its financial advisor and outside legal counsel) that (i) such acquisition proposal either constitutes a superior proposal (as defined under the section of this proxy statement captioned "The Merger Agreement - No Solicitation of Other Offers") or is reasonably likely to lead to a superior proposal; and (ii) the failure to do so would be reasonably expected to be inconsistent with its fiduciary duties pursuant to applicable law. For more information, see the section of this proxy statement captioned "The Merger Agreement - No Solicitation of Other Offers."

Echelon is not entitled to terminate the merger agreement to enter into an agreement for a superior proposal unless it complies with certain procedures in the merger agreement. If Echelon terminates the merger agreement

in order to accept a superior proposal, it must pay a \$1.54 million termination fee to Adesto. For more information, see the section of this proxy statement captioned "The Merger Agreement The Echelon Board's Recommendation; Company Board Recommendation Change."

### **Change in the Echelon Board's Recommendation**

The Echelon Board may not withdraw its recommendation that Echelon stockholders adopt the merger agreement or take certain similar actions other than, under certain circumstances, if it (or a committee of the Echelon Board) determines in good faith, after consultation with its financial advisor and outside legal counsel, that failure to do so would be reasonably expected to be inconsistent with the Echelon Board's fiduciary duties pursuant to applicable law and the Echelon Board (or a committee thereof) complies with the provisions of the merger agreement.

Moreover, the Echelon Board cannot withdraw its recommendation that Echelon stockholders adopt the merger agreement or take certain similar actions unless it complies with certain procedures in the merger agreement, including engaging in good faith negotiations with Adesto during a specified period. If Echelon terminates the merger agreement under certain circumstances, including because the Echelon Board withdraws its recommendation that Echelon stockholders adopt the merger agreement, then Echelon must pay a \$1.54 million termination fee to Adesto. For more information, see the section of this proxy statement captioned "The Merger Agreement The Echelon Board's Recommendation; Company Board Recommendation Change."

### **Conditions to the Closing of the Merger**

The obligations of Adesto, Merger Sub and Echelon, as applicable, to consummate the merger, are subject to the satisfaction or waiver (where permitted by applicable law) of certain conditions, including the following:

the adoption of the merger agreement by the requisite affirmative vote of Echelon stockholders; and

the consummation of the merger not being prohibited, made illegal or enjoined.

In addition, the obligations of Adesto and Merger Sub to consummate the merger are subject to the satisfaction or waiver (where permitted by applicable law) of each of the following additional conditions, any of which may be waived exclusively by Adesto:

the absence of any Company Material Adverse Effect (as such term is defined in the section of this proxy statement captioned "The Merger Agreement Representations and Warranties") having occurred after the date of merger agreement that is continuing as of the effective time of the merger;

the accuracy of the representations and warranties of Echelon in the merger agreement, subject to materiality qualifiers, as of the effective time of the merger or the date in respect of which such representation or warranty was specifically made;

receipt by Adesto and Merger Sub of a customary closing certificate of Echelon; and



the performance and compliance in all material respects by Echelon of and with the covenants and obligations required to be performed and complied with by Echelon under the merger agreement prior to the effective time of the merger.

In addition, the obligation of Echelon to consummate the merger is subject to the satisfaction or waiver (where permitted by applicable law) of each of the following additional conditions, any of which may be waived exclusively by Echelon:

the accuracy of the representations and warranties of Adesto and Merger Sub in the merger agreement, subject to materiality qualifiers, as of the effective time of the merger or the date in respect of which such representation or warranty was specifically made;

receipt by Echelon of a customary closing certificate of Adesto and Merger Sub; and

the performance and compliance in all material respects by Adesto and Merger Sub of and with the covenants and obligations required to be performed and complied with by Adesto and Merger Sub under the merger agreement prior to the effective time of the merger.

**Termination of the Merger Agreement**

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the adoption of the merger agreement by Echelon stockholders (except as otherwise provided in the merger agreement), in the following ways:

by mutual written agreement of Echelon and Adesto;

by either Echelon or Adesto if:

(1) any permanent injunction or other judgment or order issued by a court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the merger is in effect, or any action taken by a governmental authority of competent jurisdiction prohibiting, making illegal or enjoining the consummation of the merger has become final and non-appealable; or (2) any statute, law, ordinance, rule, regulation or order prohibiting, making illegal or enjoining the consummation of the merger has been enacted, entered, enforced or deemed applicable to the merger;

the merger has not been consummated before 11:59 p.m., Eastern time, on December 1, 2018, (which we refer to as the termination date), except that a party may not terminate the merger agreement pursuant to this provision if such party's action or failure to act constitutes a breach of the merger agreement and is the primary cause of, or has primarily resulted in, the failure to satisfy the conditions to the closing of the merger or the failure to consummate the merger by the termination date; or

Echelon stockholders do not adopt the merger agreement at the special meeting (except that a party may not terminate the merger agreement pursuant to this provision if such party's action or failure to act constitutes a breach of the merger agreement and is the primary cause of, or has primarily resulted in, the failure to obtain the approval of the Echelon stockholders at the special meeting);

by Echelon if:

after a 20-day cure period, Adesto or Merger Sub has breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements in the merger agreement such that the related closing condition would not be satisfied;

prior to the adoption of the merger agreement by Echelon stockholders, (1) Echelon has received a superior proposal; (2) the Echelon Board (or a committee thereof) has authorized Echelon to enter into an alternative acquisition agreement to consummate the acquisition transaction contemplated by such superior proposal; (3) Echelon pays or causes to be paid to Adesto a \$1.54 million termination fee; and (4) Echelon has complied with its non-solicitation obligations under the merger agreement with respect to such superior proposal; or

(1) all of the closing conditions applicable to Adesto, Merger Sub and Echelon's obligations to close the merger have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the closing of the merger, each of which is then capable of being satisfied); (2) Echelon has provided irrevocable written notice to Adesto at least three business days prior to such termination that it is prepared, willing and able to close the merger; (3) at all times during such three business day period, Echelon stood ready, willing and able to consummate the merger;

and (4) Adesto fails to consummate the merger by the end of such three business day period (except that Echelon may not so terminate the merger agreement until the later of (i) the close of business on the day that is three business days following receipt of Echelon stockholder approval of the merger and (ii) September 15, 2018 (but subject to extension of this date to September 30, 2018 as provided in the merger agreement));

by Adesto if:

after a 20-day cure period, Echelon has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements in the merger agreement such that the related closing condition would not be satisfied; or

the Echelon Board has effected a company board recommendation change (as defined in the section of this proxy statement captioned "The Merger Agreement - The Echelon Board's Recommendation; Company Board Recommendation Change").

#### **Termination Fees**

Echelon has agreed to pay Adesto a termination fee of \$1.54 million if the merger agreement is terminated in specified circumstances. In other circumstances, Echelon may be obligated to reimburse up to \$440,000 of Adesto's expenses.

Adesto has agreed to pay Echelon a termination fee of \$4.41 million if the transaction is terminated due to, generally speaking, Adesto's failure to close the merger following receipt of Echelon stockholder approval of the merger.

For more information, see the section of this proxy statement captioned "The Merger Agreement - Termination Fees."

## QUESTIONS AND ANSWERS

*The following questions and answers address some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that are important to you. We encourage you to carefully read the more detailed information contained elsewhere in this proxy statement, including the annexes to this proxy statement and the other documents to which we refer in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section of this proxy statement captioned **Where You Can Find More Information**.*

### **Q: Why am I receiving these materials?**

**A:** On June 29, 2018, we announced that Echelon entered into the merger agreement. Under the merger agreement, Adesto will acquire Echelon for \$8.50 per share in cash. In order to complete the merger, Echelon stockholders must vote to adopt the merger agreement at the special meeting. The approval of this proposal by Echelon stockholders is a condition to the consummation of the merger. See the section of this proxy statement captioned **The Merger Agreement Conditions to the Closing of the Merger**. The Echelon Board is furnishing this proxy statement and form of proxy card to the holders of shares of common stock in connection with the solicitation of proxies of Echelon stockholders to be voted at the special meeting.

This proxy statement, which you should read carefully, contains important information about the merger, the merger agreement, the special meeting and the matters to be voted on at the special meeting. The enclosed materials allow you to submit a proxy to vote your shares of common stock without attending the special meeting and to ensure that your shares of common stock are represented and voted at the special meeting.

Your vote is very important. Even if you plan to attend the special meeting, we encourage you to submit a proxy as soon as possible.

### **Q: What is the proposed merger and what effects will it have on Echelon?**

**A:** The proposed merger is the acquisition of Echelon by Adesto. If the proposal to adopt the merger agreement is approved by Echelon stockholders and the other closing conditions under the merger agreement are satisfied or waived, Merger Sub will merge with and into Echelon, with Echelon continuing as the surviving corporation. As a result of the merger, Echelon will become a wholly owned subsidiary of Adesto, and our common stock will no longer be publicly traded and will be delisted from Nasdaq. In addition, our common stock will be deregistered under the Exchange Act, and we may no longer file periodic reports with the SEC.

### **Q: What am I being asked to vote on at the special meeting?**

**A:** You are being asked to vote on the following proposals:

to adopt the merger agreement pursuant to which Merger Sub will merge with and into Echelon, and Echelon will become a wholly owned subsidiary of Adesto;

to approve the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and

to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

**Q: When and where is the special meeting?**

**A:** The special meeting will take place on [ ], 2018, at [ ], Pacific time, at Echelon's principal executive offices, located at 2901 Patrick Henry Drive, Santa Clara, California 95054.

**Q: Who is entitled to vote at the special meeting?**

**A:** All Echelon stockholders as of the close of business on [ ], 2018, which is the record date for the special meeting, are entitled to vote their shares of common stock at the special meeting. As of the close of business on the record date, there were [ ] shares of common stock outstanding and entitled to vote at the special meeting. Each share of common stock is entitled to one vote per share on each matter properly brought before the special meeting.

**Q: May I attend the special meeting and vote in person?**

**A:** Yes. Subject to the requirements described in this proxy statement, all Echelon stockholders of record as of the record date may attend the special meeting and vote in person. Seating will be limited. Stockholders will need to present proof of ownership of shares of common stock, such as a bank or brokerage account statement, and a form of personal identification to be admitted to the special meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the special meeting.

Even if you plan to attend the special meeting in person, to ensure that your shares will be represented at the special meeting, we encourage you to sign, date and return the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy previously submitted.

If, as of the record date, you are a beneficial owner of shares held in street name, you may not vote your shares in person at the special meeting unless you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares in person at the special meeting. Otherwise, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals to be considered at the special meeting without your instructions. Without your instructions, your shares will not be counted for purposes of a quorum or voted at the meeting, which will have the same effect as voting against the adoption of the merger agreement.

**Q: What will I receive if the merger is completed?**

**A:** Upon completion of the merger, you will be entitled to receive \$8.50 per share in cash, without interest and less any applicable withholding taxes, for each share of common stock that you own, unless you have properly exercised, and not validly withdrawn or subsequently lost, your appraisal rights under the DGCL, and certain other conditions under the DGCL are satisfied. For example, if you own 100 shares of common stock, you will receive \$850.00 in cash in exchange for your shares of common stock, without interest and less any applicable withholding taxes.

**Q: How does the per share merger consideration compare to the market price of the common stock prior to the public announcement of the merger agreement?**

**A:** The per share merger consideration represents a premium of approximately 104% over the closing price of the common stock on June 28, 2018, the last trading day prior to the public announcement of the merger.

**Q: What do I need to do now?**

**A:** We encourage you to read this proxy statement, the annexes to this proxy statement and the documents that we refer to in this proxy statement carefully and consider how the merger affects you. Then, even if you expect to attend the special meeting, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope, or grant your proxy electronically over the internet or by telephone, so that your shares can be voted at the special meeting. If you hold your shares in street name, please refer to the voting instruction forms provided by your bank, broker or other nominee to vote your shares. Please do not send your stock certificates with your proxy card.

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**Q: Should I send in my stock certificates now?**

**A:** No. After the merger is completed, you will receive a letter of transmittal containing instructions for how to send your stock certificates or surrender your book-entry shares to the payment agent in order to receive the appropriate cash payment for the shares of common stock represented by your stock certificates. Unless you are seeking appraisal, you should use the letter of transmittal to exchange your stock certificates or book-entry shares for the cash payment to which you are entitled. Please do not send your stock certificates with your proxy card.

**Q: What happens if I sell or transfer my shares of common stock after the record date but before the special meeting?**

**A:** The record date for the special meeting is earlier than the date of the special meeting and the expected effective date of the merger. If you sell or transfer your shares of common stock after the record date but before the special meeting, unless special arrangements (such as provision of a proxy) are made between you and the person to whom you sell or transfer your shares and each of you notifies Echelon in writing of such special arrangements, you will transfer the right to receive the per share merger consideration, if the merger is completed, to the person to whom you sell or transfer your shares, but you will retain your right to vote those shares at the special meeting. **Even if you sell or transfer your shares of common stock after the record date, we encourage you to sign, date and return the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the internet or by telephone.**

**Q: How does the Echelon Board recommend that I vote?**

**A:** The Echelon Board unanimously recommends that you vote (1) **FOR** the adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

**Q: Why am I being asked to cast a vote to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger?**

**A:** SEC rules require Echelon to seek approval of compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis. Approval of the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger is not required to complete the merger.

**Q: What is the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger?**

**A:**

The compensation that will or may become payable by Echelon to our named executive officers in connection with the merger is certain compensation that is tied to or based on the merger and payable to certain of Echelon's named executive officers pursuant to underlying plans and arrangements that are contractual in nature.

Compensation that will or may become payable by Adesto to our named executive officers in connection with or following the merger is not subject to this advisory vote. For further information, see the section of this proxy statement captioned "Proposal 3: Approval of Certain Merger-Related Executive Compensation Arrangements on a Non-Binding, Advisory Basis."

**Q: What will happen if Echelon stockholders do not approve the compensation that will or may become payable by Echelon to its named executive officers in connection with the merger?**

**A:** Approval of the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger is not a condition to completion of the merger. The vote to approve the

compensation that will or may become payable by Echelon to our named executive officers in connection with the merger is an advisory vote and will not be binding on Echelon or Adesto. The underlying plans and arrangements providing for such compensation are contractual in nature and are not, by their terms, subject to stockholder approval. Accordingly, if the merger agreement is adopted by Echelon stockholders and the merger is completed, the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger will or may be paid to Echelon's named executive officers even if Echelon stockholders do not approve such compensation.

**Q: What happens if the merger is not completed?**

**A:** If the merger agreement is not adopted by Echelon stockholders or if the merger is not completed for any other reason, Echelon stockholders will not receive any payment for their shares of common stock. Instead, (1) Echelon will remain an independent public company; (2) our common stock will continue to be listed and traded on Nasdaq and registered under the Exchange Act; and (3) we will continue to file periodic reports with the SEC. Echelon has agreed to pay Adesto a termination fee of \$1.54 million if the merger agreement is terminated in specified circumstances. In other circumstances, Echelon may be obligated to reimburse up to \$440,000 of Adesto's expenses.

Adesto has agreed to pay Echelon a termination fee of \$4.41 million if the transaction is terminated due to, generally speaking, Adesto's failure to close the merger following receipt of Echelon stockholder approval of the merger.

For more information, see the section of this proxy statement captioned "The Merger Agreement Termination Fees."

**Q: What vote is required to approve the proposal to adopt the merger agreement?**

**A:** The affirmative vote of the holders of a majority of the outstanding shares of common stock is required to adopt the merger agreement.

The failure of any stockholder of record to (1) submit a signed proxy card; (2) grant a proxy over the internet or by telephone; or (3) vote in person by ballot at the special meeting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. Abstentions will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

**Q: What vote is required to approve (1) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (2) the proposal to approve the compensation that will or may become payable by Echelon to its named executive officers in connection with the merger on a non-binding, advisory basis?**

**A:** Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy

at the special meeting and entitled to vote on the proposal.

Approval of the proposal to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger, on a non-binding, advisory basis, requires the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

The failure of any stockholder of record to (1) submit a signed proxy card; (2) grant a proxy over the internet or by telephone; or (3) vote in person by ballot at the special meeting will not have any effect on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting, or the proposal to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis. If you hold your shares in street name, the failure to instruct your bank, broker or other nominee how to vote your shares will not have any effect on these proposals. In all cases, abstentions will have the same effect as a vote AGAINST these proposals.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

**A:** If your shares are registered directly in your name with our transfer agent, Computershare Inc., you are considered, with respect to those shares, to be the stockholder of record. If you are a stockholder of record, this proxy statement and your proxy card have been sent directly to you by or on behalf of Echelon. As a stockholder of record, you may attend the special meeting and vote your shares in person by ballot.

If your shares are held through a bank, broker or other nominee, you are considered the beneficial owner of shares of common stock held in street name. If you are a beneficial owner of shares of common stock held in street name, this proxy statement has been forwarded to you by your bank, broker or other nominee who is considered, with respect to those shares, to be the stockholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote your shares by following their instructions for voting. You are also invited to attend the special meeting. However, because you are not the stockholder of record, you may not vote your shares in person by ballot at the special meeting unless you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

**Q: How may I vote?**

**A:** If you are a stockholder of record (that is, if your shares of common stock are registered in your name with Computershare Inc., our transfer agent), there are four ways to vote:

by signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope;

by visiting the internet address on your proxy card;

by calling the toll-free (within the U.S. or Canada) phone number on your proxy card; or

by attending the special meeting and voting in person by ballot.

A control number, located on your proxy card, is designed to verify your identity and allow you to vote your shares of common stock and to confirm that your voting instructions have been properly recorded when voting electronically over the internet or by telephone. Although there is no charge for voting your shares, if you vote electronically over the internet or by telephone, you may incur costs such as internet access and telephone charges for which you will be

responsible.

Even if you plan to attend the special meeting in person, you are strongly encouraged to vote your shares of common stock by proxy. If you are a stockholder of record or if you obtain a legal proxy to vote shares that you beneficially own, you may still vote your shares of common stock in person by ballot at the special meeting even if you have previously voted by proxy. If you are present at the special meeting and vote in person by ballot, your vote will revoke any previously submitted proxy.

If your shares are held in street name through a bank, broker or other nominee, you may vote through your bank, broker or other nominee by completing and returning the voting instruction form provided by your bank, broker or other nominee, or, if such a service is provided by your bank, broker or other nominee, electronically over the internet or by telephone. To vote over the internet or by telephone through your bank, broker or other nominee, you should follow the instructions on the voting instruction form provided by your

bank, broker or nominee. However, because you are not the stockholder of record, you may not vote your shares in person by ballot at the special meeting unless you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

**Q: What is a proxy?**

**A:** A proxy is your legal designation of another person, referred to as a proxy, to vote your shares of common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of common stock is called a proxy card. Alicia Jayne Moore, our SVP, Chief Legal and Administration Officer and Secretary, and C. Michael Marszewski, our Vice President and Chief Financial Officer, with full powers of substitution and resubstitution, are the proxy holders for the special meeting.

**Q: If my broker holds my shares in street name, will my broker vote my shares for me?**

**A:** No. Your bank, broker or other nominee is permitted to vote your shares on any proposal currently scheduled to be considered at the special meeting only if you instruct your bank, broker or other nominee how to vote. You should follow the procedures provided by your bank, broker or other nominee to vote your shares. Without instructions, your shares will not be counted for the purpose of a quorum or voted on such proposals, which will have the same effect as if you voted **AGAINST** adoption of the merger agreement, but will have no effect on the adjournment proposal or the proposal to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

**Q: May I change my vote after I have mailed my signed and dated proxy card?**

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

signing another proxy card with a later date and returning it to us prior to the special meeting;

submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy;

delivering a written notice of revocation to our Corporate Secretary; or

attending the special meeting and voting in person by ballot.

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

**Q: If a stockholder gives a proxy, how are the shares voted?**

**A:** Regardless of the method you choose to vote, the individuals named on the enclosed proxy card will vote your shares in the way that you direct.

If you sign and date your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted as recommended by the Echelon Board with respect to each proposal. This means that they will be voted (1) **FOR** the adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.



**Q: What should I do if I receive more than one set of voting materials?**

**A:** We encourage you to sign, date and return (or grant your proxy electronically over the internet or by telephone) each proxy card and voting instruction form that you receive to ensure that all of your shares are voted. You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction forms, if your shares are registered differently or are held in more than one account. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please vote all voting materials that you receive.

**Q: Where can I find the voting results of the special meeting?**

**A:** If available, Echelon may announce preliminary voting results at the conclusion of the special meeting. Echelon intends to publish final voting results in a Current Report on Form 8-K to be filed with the SEC following the special meeting. All reports that Echelon files with the SEC are publicly available when filed. See the section of this proxy statement captioned *Where You Can Find More Information*.

**Q: Will I be subject to U.S. federal income tax upon the exchange of common stock for cash pursuant to the merger?**

**A:** If you are a U.S. Holder (as defined under the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences of the Merger* ), the exchange of common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, which generally will require a U.S. Holder to recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received by such U.S. Holder in the merger and such U.S. Holder's adjusted tax basis in the shares of common stock surrendered in the merger.

A Non-U.S. Holder (as defined in the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences of the Merger* ) generally will not be subject to U.S. federal income tax with respect to the exchange of common stock for cash in the merger unless such Non-U.S. Holder has certain connections to the United States.

Because particular circumstances may differ, we recommend that you consult your own tax advisor to determine the U.S. federal income tax consequences relating to the merger in light of your own particular circumstances and any consequences arising under U.S. federal non-income tax laws or the laws of any state, local or foreign taxing jurisdiction. A more complete description of material U.S. federal income tax consequences of the merger is provided in the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences of the Merger*.

**Q: What will the holders of company options and company RSUs receive in the merger?**

**A:** At the effective time of the merger, each company option outstanding and unexercised immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into a right to receive an amount in cash, without interest, equal to the option consideration. The payment of the option consideration will be subject to any applicable withholding taxes.

With respect to any company options for which the exercise price per share attributable to such company options is equal to or greater than the per share merger consideration, such company options will be cancelled without any cash payment being made in exchange for such cancellation.

At the effective time of the merger, each company RSU outstanding as of immediately prior to the effective time of the merger, whether vested or unvested, will be cancelled and converted into a right to receive an

amount in cash, without interest, equal to the RSU consideration. For the purposes of the previous sentence, the number of shares of Echelon common stock issuable pursuant to a company RSU will be deemed to be the number of shares issuable following full performance and satisfaction of the target (to the extent applicable). The payment of the RSU consideration will be subject to any applicable withholding taxes.

For more detail on the treatment of our directors and executive officers' company options and company RSUs in the merger, see below under the section of this proxy statement captioned "The Merger: Interests of Echelon's Directors and Executive Officers in the Merger: Treatment of Equity-Based Awards."

**Q: When do you expect the merger to be completed?**

**A:** We currently expect to complete the merger in 2018. However, the exact timing of completion of the merger, if at all, cannot be predicted because the merger is subject to the closing conditions specified in the merger agreement, many of which are outside of our control.

**Q: Am I entitled to appraisal rights under the DGCL?**

**A:** If the merger is consummated, Echelon stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfect appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL. This means that such stockholders will be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Court of Chancery to be fair value from the effective date of the merger through the date of payment of the judgment at a rate of 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment (except that, if at any time before the entry of judgment in the proceeding, the surviving corporation pays to each stockholder entitled to appraisal an amount in cash, interest will accrue thereafter only upon the sum of (i) the difference, if any, between the amount so paid and the fair value of the shares as determined by the Delaware Court of Chancery, and (ii) interest theretofore accrued, unless paid at that time). The surviving corporation is under no obligation to make such voluntary cash payment prior to such entry of judgment. Stockholders who wish to seek appraisal of their shares are in any case encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights due to the complexity of the appraisal process. The DGCL requirements for exercising appraisal rights are described in additional detail in this proxy statement, which description is qualified in its entirety by the relevant section of the DGCL regarding appraisal rights attached as Annex C to this proxy statement.

**Q: Do any of Echelon's directors or officers have interests in the merger that may differ from those of Echelon stockholders generally?**

**A:** Yes. In considering the recommendation of the Echelon Board with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of Echelon stockholders generally. In (1) evaluating and negotiating the merger agreement; (2) approving the merger agreement and the merger; and (3) unanimously recommending that the merger agreement be adopted by Echelon stockholders, the Echelon Board was aware of and considered these interests to the extent that they existed at the time, among other matters. For more information, see the section of this proxy statement captioned "The Merger - Interests of Echelon's Directors and Executive Officers in the Merger."

**Q: Who can help answer my questions?**

**A:** If you have any questions concerning the merger, the special meeting or this proxy statement, would like additional copies of the accompanying proxy statement or need help submitting your proxy or voting your shares of common stock, please contact our proxy solicitor:

The Proxy Advisory Group, LLC

18 East 41st Street, Suite 2000

New York, New York 10017

Stockholders May Call:

(888) 557-7699 (Toll-Free From the U.S. and Canada)

or

(212) 616-2180 (From Other Locations)

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## FORWARD-LOOKING STATEMENTS

This proxy statement, the documents to which we refer you in this proxy statement and information included in oral statements or other written statements made or to be made by us or on our behalf contain forward-looking statements that do not directly or exclusively relate to historical facts. You can typically identify forward-looking statements by the use of forward-looking words, such as may, should, could, project, believe, anticipate, expect, estimate, potential, plan, forecast and other words of similar import. Stockholders are cautioned that any forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks detailed in our filings with the SEC, including in our most recent filings on Forms 10-K and 10-Q, factors and matters described or incorporated by reference in this proxy statement, and the following factors:

the inability to complete the merger due to the failure of Echelon stockholders to adopt the merger agreement or failure to satisfy the other conditions to the completion of the merger;

the risk that the merger agreement may be terminated in circumstances that require us to pay a termination fee of \$1.54 million or obligate us to reimburse up to \$440,000 of Adesto's expenses;

the outcome of any legal proceedings that may be instituted against us and others related to the merger agreement;

risks that the merger affects our ability to retain or recruit employees;

the fact that receipt of the all-cash per share merger consideration will be taxable to Echelon stockholders that are treated as U.S. holders for U.S. federal income tax purposes;

the fact that, if the merger is completed, Echelon stockholders will forego the opportunity to realize the potential long-term value of the successful execution of Echelon's current strategy as an independent company;

the possibility that Echelon could, at a later date, engage in unspecified transactions, including restructuring efforts, special dividends or the sale of some or all of Echelon's assets to one or more as yet unknown purchasers, that could conceivably produce a higher aggregate value than that available to Echelon stockholders in the merger;

the fact that under the terms of the merger agreement, Echelon is unable to solicit other acquisition proposals during the pendency of the merger;

the effect of the announcement or pendency of the merger on our business relationships, customers, operating results and business generally, including risks related to the diversion of the attention of Echelon management or employees during the pendency of the merger;

the amount of the costs, fees, expenses and charges related to the merger agreement or the merger;

the risk that the proposed merger will not be consummated in a timely manner, exceeding the expected costs of the merger;

the risk that our stock price may decline significantly if the merger is not completed;

risks regarding the failure of Adesto to obtain the necessary financing to consummate the merger; and

risks related to obtaining the requisite stockholder consent to the merger.

Consequently, all of the forward-looking statements that we make in this proxy statement are qualified by the information contained or incorporated by reference in this proxy statement, including (1) the information contained under this caption; and (2) the information contained under the caption Risk Factors, and information in our consolidated financial statements and notes thereto included in our most recent filings on Form 10-K and Form 10-Q. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Except as required by applicable law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Stockholders are advised to consult any future disclosures that we make on related subjects as may be detailed in our other filings made from time to time with the SEC.

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## THE SPECIAL MEETING

*This proxy statement is being provided to Echelon stockholders as part of a solicitation by the Echelon Board of proxies for use at the special meeting.*

### **Date, Time and Place**

We will hold the special meeting on [ ], 2018, at [ ], Pacific time, at our principal executive offices, located at 2901 Patrick Henry Drive, Santa Clara, California 95054.

### **Purpose of the Special Meeting**

At the special meeting, we will ask stockholders to vote on proposals to (1) adopt the merger agreement; (2) adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### **Record Date; Shares Entitled to Vote; Quorum**

Only Echelon stockholders as of the close of business on the record date are entitled to notice of, and to vote at, the special meeting. A list of stockholders of record entitled to vote at the special meeting will be available at our principal executive offices located at 2901 Patrick Henry Drive, Santa Clara, CA 95054, during regular business hours for a period of no less than 10 days before the special meeting and at the place of the special meeting during the meeting.

As of the record date, there were [ ] shares of common stock outstanding and entitled to vote at the special meeting. Each share of common stock is entitled to one vote per share on each matter properly brought before the special meeting.

The presence in person or by proxy of the holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the special meeting will constitute a quorum at the special meeting.

### **Vote Required; Abstentions and Broker Non-Votes**

Approval of the proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote on the proposal. Adoption of the merger agreement by Echelon's stockholders is a condition to the closing of the merger.

Approval of the proposal to adjourn the special meeting to a later date or dates to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

Approval, on a non-binding, advisory basis, of the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

If a stockholder abstains from voting, that abstention will have the same effect as if the stockholder voted:

(1) AGAINST the proposal to adopt the merger agreement; (2) AGAINST any proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes to adopt the merger

agreement at the time of the special meeting; and (3) **AGAINST** the proposal to approve, on a non-binding, advisory basis, compensation that will or may become payable by Echelon to our named executive officers in connection with the merger. Abstentions will be counted as present for purposes of determining whether a quorum exists.

A broker non-vote generally occurs when a bank, broker or other nominee holding shares on your behalf does not vote on a proposal because the bank, broker or other nominee has not received your voting instructions and lacks discretionary power to vote your shares. We do not expect any broker non-votes at the special meeting, but if there are any, they will be counted for the purpose of determining whether a quorum is present. If there are broker non-votes, each broker non-vote will count as a vote **AGAINST** the proposal to adopt the merger agreement, but will have no effect on (1) the proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; or (2) the proposal to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### **Shares Held by Echelon's Directors and Executive Officers**

As of the record date, our directors and executive officers beneficially owned and were entitled to vote, in the aggregate, [ ] shares of common stock, representing approximately [ ] percent of the shares of common stock outstanding as of the record date. Our directors and executive officers have informed us that they intend to vote all of their shares of common stock: (1) **FOR** the adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### **Voting of Proxies**

If your shares are registered in your name with our transfer agent, Computershare Inc., you may vote your shares by returning a signed and dated proxy card in the accompanying prepaid reply envelope, or you may vote in person by ballot at the special meeting. Additionally, you may grant a proxy electronically over the internet or by telephone by following the instructions on your proxy card. You must have the enclosed proxy card available, and follow the instructions on the proxy card, in order to grant a proxy electronically over the internet or by telephone. Based on your proxy cards or internet and telephone proxies, the proxy holders will vote your shares according to your directions.

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Stockholders will need to present proof of ownership of shares of common stock, such as a bank or brokerage account statement, and a form of personal identification to be admitted to the special meeting. If your shares are registered in your name, you are encouraged to vote by proxy even if you plan to attend the special meeting in person. If you attend the special meeting and vote in person by ballot, your vote will revoke any previously submitted proxy.

All shares represented by properly signed and dated proxies received will, if received before the special meeting, be voted at the special meeting in accordance with the instructions of the stockholder. Properly signed and dated proxies that do not contain voting instructions will be voted: (1) **FOR** adoption of the merger agreement; (2) **FOR** the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) **FOR** the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

If your shares are held in street name through a bank, broker or other nominee, you may vote through your bank, broker or other nominee by completing and returning the voting instruction form provided by your bank,



broker or other nominee. You may also attend the special meeting and vote in person by ballot if you have a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting. If available, you may vote over the internet or telephone through your bank, broker or other nominee by following the instructions on the voting instruction form provided by your bank, broker or other nominee. If you do not (1) return your bank's, broker's or other nominee's voting instruction form; (2) vote over the internet or by telephone through your bank, broker or other nominee, if possible; or (3) attend the special meeting and vote in person with a legal proxy from your bank, broker or other nominee, it will have the same effect as if you voted AGAINST the proposal to adopt the merger agreement. It will not have any effect on the proposals: (1) to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; or (2) to approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

### **Revocability of Proxies**

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

signing another proxy card with a later date and returning it to us prior to the special meeting;

submitting a new proxy electronically over the internet or by telephone after the date of the earlier submitted proxy;

delivering a written notice of revocation to our Corporate Secretary; or

attending the special meeting and voting in person by ballot.

If you have submitted a proxy, your appearance at the special meeting, in the absence of voting in person or submitting an additional proxy or revocation, will not have the effect of revoking your prior proxy.

If you hold your shares of common stock in street name, you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the special meeting.

Any adjournment, postponement or other delay of the special meeting, including for the purpose of soliciting additional proxies, will allow Echelon stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned, postponed or delayed.

### **The Echelon Board's Recommendation**

The Echelon Board, after considering various factors described in the section of this proxy statement captioned "The Merger Recommendation of the Echelon Board and Reasons for the Merger," has unanimously (1) determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are fair to, advisable and in the best interests of Echelon and its stockholders; and (2) adopted and approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Echelon Board unanimously recommends that you vote (1) FOR the adoption of the merger agreement; (2) FOR the adjournment of the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement at the time of the special meeting; and (3) FOR the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis.

## **Adjournment**

In addition to the proposals to (1) adopt the merger agreement and (2) approve the compensation that will or may become payable by Echelon to our named executive officers in connection with the merger on a non-binding, advisory basis, Echelon stockholders are also being asked to approve a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional votes or proxies in favor of the proposal to adopt the merger agreement if there are insufficient votes at the time of the special meeting to approve the merger agreement. If a quorum is not present, the chairperson of the special meeting or the stockholders entitled to vote at the special meeting, present in person or represented by proxy, may adjourn the special meeting, from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. In addition, the special meeting could be postponed before it commences, subject to the terms of the merger agreement. If the special meeting is adjourned or postponed, Echelon stockholders who have already submitted their proxies will be able to revoke them at any time before they are voted at the special meeting.

## **Solicitation of Proxies**

The expense of soliciting proxies will be borne by Echelon. We have retained The Proxy Advisory Group, LLC, a professional proxy solicitation firm, to assist in the solicitation of proxies, and provide related advice and informational support during the solicitation process, for a services fee, plus customary disbursements, which are not expected to exceed \$35,000 in total. We will indemnify The Proxy Advisory Group, LLC against losses arising out of its provisions of these services on our behalf. In addition, we may reimburse banks, brokers and other nominees representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by our directors, officers and employees, personally or by telephone, email, fax or over the internet. No additional compensation will be paid for such services.

## **Anticipated Date of Completion of the Merger**

We currently expect to complete the merger in 2018. However, the exact timing of completion of the merger, if at all, cannot be predicted because the merger is subject to the closing conditions specified in the merger agreement, many of which are outside of our control.

## **Appraisal Rights**

If the merger is consummated, stockholders who (1) do not vote in favor of the adoption of the merger agreement; (2) continuously hold such shares through the effective time of the merger; (3) properly perfect appraisal of their shares; (4) meet certain other conditions and statutory requirements described in this proxy statement; and (5) do not withdraw their demands or otherwise lose their rights to appraisal will be entitled to seek appraisal of their shares in connection with the merger under Section 262 of the DGCL. This means that such stockholders will be entitled to seek appraisal of their shares by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the merger, together with (unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown) interest on the amount determined by the Delaware Cou