

SCM MICROSYSTEMS INC

Form 424B3

February 13, 2009

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-157067

JOINT PROXY STATEMENT/INFORMATION STATEMENT AND PROSPECTUS

PROPOSED MERGER

To the Stockholders of SCM Microsystems, Inc. and Shareholders of Hirsch Electronics Corporation:

The boards of directors of each of SCM Microsystems, Inc. (*SCM*) and Hirsch Electronics Corporation (*Hirsch*) have approved a merger transaction in which the businesses of SCM and Hirsch will be combined. We are sending the accompanying joint proxy statement/information statement and prospectus to you to ask you to vote in favor of this merger and the related transactions.

SCM is holding a special meeting of its stockholders in order to obtain the stockholder approval necessary to complete the merger with Hirsch and certain related matters. At the SCM special meeting, which will be held at 1:00 p.m., local time, on March 23, 2009, at SCM's U.S. office located at 41740 Christy Street, Fremont, California 94538, unless postponed or adjourned to a later date, SCM will ask its stockholders to approve, among other items, the issuance of shares of SCM common stock and warrants to purchase shares of SCM common stock to the securityholders of Hirsch in connection with the merger, as described in the accompanying joint proxy statement/information statement and prospectus.

After careful consideration, SCM's board of directors has approved the merger and the related issuance of up to 9,661,470 shares of SCM common stock, par value \$0.001, and warrants to purchase up to 4,945,353 shares of SCM common stock and has determined that the merger and such issuance of shares and warrants is in the best interests of SCM and its stockholders. ***Accordingly, SCM's board of directors unanimously recommends that the SCM stockholders vote FOR each of the proposals put to the SCM stockholders at the SCM special meeting.***

Hirsch is holding a special meeting of its shareholders in order to obtain the shareholder approval necessary to complete the merger with SCM. At the Hirsch special meeting, which will be held at 7:30 p.m., local time, on March 11, 2009, at Hirsch's corporate headquarters located at 1900 Carnegie Avenue, Building B, Santa Ana, California 92705, unless postponed or adjourned to a later date, Hirsch will ask its shareholders to approve, among other items, the merger, as described in the accompanying joint proxy statement/information statement and prospectus.

After careful consideration, Hirsch's board of directors has approved the merger and has determined that the merger is in the best interests of Hirsch and its shareholders. ***Accordingly, Hirsch's board of directors unanimously recommends that the Hirsch shareholders vote FOR each of the proposals put to the Hirsch shareholders at the Hirsch special meeting.***

Certain Hirsch shareholders, including Lawrence W. Midland, the president of Hirsch, who in the aggregate own approximately 22% of the outstanding shares of Hirsch common stock, have entered into an irrevocable proxy and voting agreement whereby they have agreed to vote in favor of the merger.

SCM's common stock is currently listed on the NASDAQ Stock Market's National Market under the symbol SCMM and on the Prime Standard of the Frankfurt Stock Exchange under the symbol SMY. On February 11, 2009, the last practicable trading day before the date of this proxy statement/information statement and prospectus, the closing sale price of SCM common stock was \$2.67 per share as reported on the NASDAQ Stock Market.

More information about SCM, Hirsch and the proposed merger is contained in the accompanying joint proxy statement/information statement and prospectus. ***SCM and Hirsch urge you to read the accompanying joint proxy statement/information statement and prospectus carefully and in its entirety. In particular, you should carefully consider the matters discussed in the section entitled Risk Factors, beginning on page 12 of the accompanying joint proxy statement/information statement and prospectus.***

Your vote is very important, regardless of the number of shares you own of SCM or Hirsch. Please read the accompanying joint proxy statement/information statement and prospectus carefully and cast your proxy vote as promptly as possible.

SCM and Hirsch are excited about the opportunities the proposed merger may bring to SCM stockholders and Hirsch shareholders, and thank you for your consideration and continued support.

Felix Marx
Chief Executive Officer
SCM Microsystems, Inc.

Lawrence W. Midland
President
Hirsch Electronics Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger or the securities of SCM to be issued in connection with the merger, or determined if this joint proxy statement/information statement and prospectus is adequate or accurate. Any representation to the contrary is a criminal offense.

The accompanying joint proxy statement/information statement and prospectus is dated February 13, 2009, and is first being mailed to SCM stockholders and Hirsch shareholders on or about February 18, 2009.

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**SCM Microsystems, Inc.
Oskar-Messter-Str. 13, 85737
Ismaning, Germany**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On March 23, 2009

To SCM Microsystems, Inc. Stockholders:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of SCM Microsystems, Inc., a Delaware corporation, will be held at SCM's U.S. office located at 41740 Christy Street, Fremont, California 94538, on March 23, 2009 at 1:00 p.m., local time for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of new shares of SCM common stock, par value \$0.001 per share, and warrants to purchase shares of SCM common stock, to securityholders of Hirsch, in connection with the merger proposed under the Agreement and Plan of Merger, dated as of December 10, 2008, by and among SCM, Hirsch Electronics Corporation, a California corporation, and two wholly-owned subsidiaries of SCM, pursuant to which Hirsch will become a new Delaware limited liability company and a wholly-owned subsidiary of SCM through a two-step merger;
2. To consider and vote upon an adjournment of the SCM special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposal described immediately above; and

To transact such other business that properly comes before the SCM special meeting or any adjournment or postponement thereof.

The foregoing proposals and the Agreement and Plan of Merger are more fully described in the joint proxy statement/information statement and prospectus accompanying this Notice. Only SCM stockholders of record at the close of business on February 11, 2009 will be entitled to notice of, and a vote at, the SCM special meeting. At the close of business on February 11, 2009, SCM had 15,743,515 shares of stock outstanding and entitled to vote. A list of SCM stockholders entitled to vote at the SCM special meeting will be available for inspection at SCM's principal executive offices in Ismaning, Germany and at its U.S. office in Fremont, California.

All SCM stockholders are cordially invited to attend the SCM special meeting in person. **Whether or not you plan to attend the SCM special meeting in person, please sign and return the enclosed proxy card to ensure that your SCM shares will be represented at the SCM special meeting.** Voting instructions are included with your SCM proxy card. You may revoke your SCM proxy card at any time prior to the SCM special meeting by following the instructions in the accompanying joint proxy statement/information statement and prospectus. If you attend the SCM special meeting and vote by ballot, then your proxy vote will be revoked automatically and only your vote by ballot at the SCM special meeting will be counted. **Regardless of the number shares of SCM that you own or whether or not you plan to attend the SCM special meeting, it is important that your SCM shares be represented and voted. No postage need be affixed if your proxy card is mailed in the United States.**

By Order of the SCM Board of Directors,

Stephan Rohaly
Secretary

Ismaning, Germany
February 13, 2009

**SCM S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU
VOTE FOR PROPOSAL 1 AND 2.**

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**HIRSCH ELECTRONICS CORPORATION
1900 CARNEGIE AVENUE, BUILDING B
SANTA ANA, CALIFORNIA 92705**

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held On March 11, 2009

Dear Hirsch Electronics Corporation Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Hirsch Electronics Corporation, a California corporation (Hirsch). The meeting will be held at Hirsch 's corporate headquarters located at 1900 Carnegie Avenue, Building B, Santa Ana, California 92705 on March 11, 2009 at 7:30 p.m. local time for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated December 10, 2008, by and among Hirsch, SCM Microsystems, Inc., a Delaware corporation (SCM), and two wholly-owned subsidiaries of SCM, pursuant to which Hirsch will become a new Delaware limited liability company and a wholly-owned subsidiary of SCM through a two-step merger; and
2. To consider and vote upon an adjournment of the Hirsch special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the proposal described immediately above.

These proposals are more fully described in the accompanying joint proxy statement/information statement and prospectus, which we urge you to read very carefully. We have included a copy of the Agreement and Plan of Merger as *Annex A* to the accompanying joint proxy statement/information statement and prospectus. Only Hirsch shareholders of record at the close of business on February 10, 2009, the record date for the Hirsch special meeting, are entitled to notice of and to vote at the Hirsch special meeting or any adjournment or postponement of the Hirsch special meeting.

The board of directors of Hirsch unanimously recommends that you vote FOR Proposal No. 1 for adoption of the Agreement and Plan of Merger and the transactions contemplated thereby and FOR Proposal No. 2 for an adjournment of the Hirsch special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the foregoing Proposal No. 1.

Even if you plan to attend the Hirsch special meeting in person, Hirsch requests that you sign and return the enclosed Hirsch proxy card to ensure that your Hirsch shares will be represented at the Hirsch special meeting if you are unable to attend.

By Order of the Hirsch Board of Directors,

Lawrence W. Midland
President

Santa Ana, California
February 13, 2009

PLEASE DO NOT SEND IN ANY HIRSCH STOCK CERTIFICATES AT THIS TIME; FURTHER DOCUMENTATION FOR SUCH PURPOSE WILL BE SENT TO HIRSCH SHAREHOLDERS AFTER APPROVAL AND COMPLETION OF THE MERGER.

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REFERENCE TO ADDITIONAL INFORMATION

This joint proxy statement/information statement and prospectus incorporates important business and financial information about SCM from documents that SCM files with the SEC and which are not included in or delivered with this joint proxy statement/information statement and prospectus. You can obtain such documents, other than certain exhibits to those documents, by requesting them in writing or by telephone from SCM at the following address:

In the United States:

SCM Microsystems, Inc.
41740 Christy Street
Fremont, CA 94538
+1 510-249-4883
ir@scmmicro.com

In Europe:

SCM Microsystems GmbH
Oskar-Messter-Straße 13
85737 Ismaning, Germany
+49 89 9595-5220
ir@scmmicro.com

You may also request more information directly from SCM's proxy solicitor, Georgeson, Inc. by sending an email to the following address: scm@georgeson.com.

You will not be charged for any documents that you request. **If you would like to request documents, please do so by March 17, 2009 in order to receive timely delivery of the documents in advance of the SCM special meeting. See the section entitled "Where You Can Find More Information" for a detailed description of the documents incorporated by reference into this joint proxy statement/information statement and prospectus.**

Hirsch is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act. Accordingly, Hirsch does not file documents with the SEC.

Information contained on the websites of SCM and Hirsch are expressly not incorporated by reference into this joint proxy statement/information statement and prospectus.

Important Notice Regarding the Availability of Proxy Materials for the SCM Stockholder Meeting to Be Held on March 23, 2009 and the Hirsch Shareholder Meeting to Be Held on March 11, 2009.

The joint proxy statement/information statement and prospectus is available at www.scmmicro.com.

ABOUT THIS DOCUMENT

This joint proxy statement/information statement and prospectus forms a part of a registration statement on Form S-4 (Registration No. 333-157067), filed by SCM Microsystems, Inc. with the U.S. Securities and Exchange Commission, and constitutes a prospectus of SCM under Section 5 of the Securities Act of 1933, as amended, and the rules thereunder, with respect to the shares of SCM common stock and warrants to purchase shares of SCM common stock

to be issued to securityholders of Hirsch Electronics Corporation in connection with the proposed merger and the related transactions.

In addition, this joint proxy statement/information statement and prospectus constitutes:

A notice of meeting with respect to the SCM special meeting at which SCM's stockholders will consider and vote on certain proposals, including the proposal regarding the issuance of SCM common stock and warrants to purchase shares of SCM common stock in connection with merger;

A proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, and the rules thereunder, with respect to the SCM special meeting;

A notice of meeting with respect to the Hirsch special meeting at which Hirsch's shareholders will consider a proposal regarding the merger; and

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An information statement with respect to the Hirsch special meeting.

NOTE REGARDING TRADEMARKS

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The Hirsch logo, the Velocity logo, ScrambleSmart, ScrambleSmartProx, MATCH, DIGI*TRAC, Hirsch Verification Station, RUU-201, MOMENTUM, BioSmart, We Secure Buildings, Upgrade to Hirsch, The Secure Decision, DigiLock, Rapid Deployment Kit, ScrambleNet, XBox, NET*MUX4, S*NET, X*NET, SNIB and SNIB2 are trademarks of Hirsch; ScramblePad, ScrambleProx and IDK are registered trademarks of Hirsch.

This joint proxy statement/information statement and prospectus may also include trademarks and trade names owned by other parties, and all other such trademarks and trade names mentioned in this joint proxy statement/information statement and prospectus are the property of their respective owners.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER,
THE SCM SPECIAL MEETING AND THE HIRSCH SPECIAL MEETING**

The following section provides answers to certain frequently asked questions about the proposed merger, SCM special meeting of stockholders and Hirsch special meeting of shareholders. Please note that this section may not address all issues that may be important to you as an SCM stockholder or a Hirsch shareholder. Accordingly, you should carefully read this entire joint proxy statement/information statement and prospectus, including each of the annexes.

Q. Why am I receiving this joint proxy statement/information statement and prospectus?

- A. You are receiving this joint proxy statement/information statement and prospectus because you are either a stockholder of SCM or a shareholder of Hirsch as of the respective record date of SCM's special meeting of its stockholders or Hirsch's special meeting of its shareholders. This joint proxy statement/information statement and prospectus is being used by the boards of directors of each of SCM and Hirsch to solicit your proxy for use at the SCM special meeting and to solicit your proxy for use at the Hirsch special meeting, respectively. This joint proxy statement/information statement and prospectus also serves as the prospectus for shares of SCM common stock and warrants to purchase shares of SCM common stock to be issued in exchange for shares of Hirsch common stock and warrants to purchase Hirsch common stock in connection with the merger.

This joint proxy statement/information statement and prospectus contains important information about the merger, the Merger Agreement, the SCM special meeting and the Hirsch special meeting, which you should read carefully before voting. The enclosed voting materials allow you to cause your shares of SCM common stock or Hirsch common stock, as the case may be, to be voted, without attending the SCM special meeting and the Hirsch special meeting in person.

About the Merger

Q. What is the merger?

- A. The proposed merger is a two-step transaction that will result in the combination of the businesses of SCM and Hirsch, whereby Hirsch will become a wholly-owned subsidiary of SCM.

In exchange for their shares of Hirsch common stock and warrants to purchase shares of Hirsch common stock, the securityholders of Hirsch will receive cash, shares of SCM common stock and warrants to purchase shares of SCM common stock.

More specifically, SCM, Deer Acquisition, Inc., a California corporation and wholly-owned subsidiary of SCM (Merger Sub 1), Hart Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of SCM (Merger Sub 2) and Hirsch have entered into an Agreement and Plan of Merger, dated as of December 10, 2008 (the Merger Agreement). The Merger Agreement contains the terms and conditions of the proposed combination of the businesses of SCM and Hirsch. Under the terms of the Merger Agreement:

Merger Sub 1 will merge with and into Hirsch, with Hirsch as the surviving corporation;

as soon as reasonably practicable thereafter, Hirsch will merge with and into Merger Sub 2, with Merger Sub 2 as the surviving entity; and

as a result of the mergers, the business and assets of Hirsch will be held by a new Delaware limited liability company and wholly-owned subsidiary of SCM (the Surviving Subsidiary).

The transactions described above are referred to as the Merger in this joint proxy statement/information statement and prospectus.

Q. What if the Merger is not completed?

- A.** It is possible that the Merger and the other transactions contemplated by the Merger Agreement will not be completed. This might happen if, for example, SCM's stockholders do not approve the issuance of the SCM shares and warrants in connection with the Merger, or if Hirsch's shareholders do not approve the Merger. Should that occur, neither SCM nor Hirsch will be under any obligation to make or consider any alternative proposal regarding the combination of SCM and Hirsch. In certain circumstances, however, SCM or Hirsch may be obligated to pay the other party a termination fee and reimburse the other party for certain expenses, as

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further described in the section entitled "The Merger Agreement - Termination" in this joint proxy statement/information statement and prospectus.

Q. Why are SCM and Hirsch proposing to merge?

A. The board of directors of SCM has determined that the Merger and the related transactions are in the best interests of SCM and its stockholders in part because it presents a compelling strategic opportunity for SCM to strengthen its position in the security industry, expand its product offerings and customer base, and increase its operational scale, among other reasons. The board of directors of Hirsch has determined that the Merger and the related transactions are in the best interests of Hirsch and its shareholders in part because it allows Hirsch shareholders to gain access to an equity interest in SCM and to participate both in the future performance not only of Hirsch but of SCM, and positions the combined company to pursue a strategy focused on the industry trend towards convergence of logical and physical access solutions. For a complete discussion of SCM's and Hirsch's reasons for the Merger, see the sections entitled "The Merger - The SCM Reasons for the Merger" and "The Merger - The Hirsch Reasons for the Merger" in this joint proxy statement/information statement and prospectus.

Q. What vote is required by the SCM stockholders to consummate the Merger?

A. To consummate the Merger, SCM stockholders must approve the issuance of shares of SCM common stock and warrants to purchase SCM common stock in the Merger. The approval of such issuance requires the affirmative vote of a majority of the shares of SCM common stock present in person or represented by proxy and entitled to vote at the SCM special meeting at which a quorum is present, whether voting in person or represented by proxy at the SCM special meeting.

Q. What vote is required by the Hirsch shareholders to consummate the Merger?

A. To consummate the Merger, Hirsch shareholders must approve the Merger, which requires the affirmative vote of the holders of a majority of the outstanding Hirsch common stock as of the record date for the Hirsch special meeting. In addition, pursuant to the Merger Agreement, a condition to SCM's obligation to complete the Merger is that the Merger shall have been approved by Hirsch shareholders holding a majority of the shares of Hirsch common stock outstanding as of the record date for the Hirsch special meeting, without including the affirmative votes of any shares of Hirsch common stock held or beneficially owned by any of Hirsch's directors who could be deemed to have a material financial interest in the Merger or any of the transactions contemplated in connection with the Merger. In addition, pursuant to the Merger Agreement, an additional condition to SCM's obligation to complete the Merger is that not more than 10% of the outstanding shares of Hirsch shall be dissenting shares which, among other things, are shares that were not voted in favor of the Merger and for which a demand for payment and appraisal has been properly made in accordance with the California Corporations Code.

Q. What is the irrevocable proxy and voting agreement and who are the parties to that agreement?

A. Each of the members of Hirsch's board of directors, members of management and their respective affiliates, have entered into an irrevocable proxy and voting agreement with SCM, the Merger Subs and Hirsch, providing that they will, solely in their capacity as Hirsch shareholders, among other things, vote all of their shares of Hirsch common stock in favor of the Merger and the adoption of the Merger Agreement and against any other action or agreement that is intended, or could reasonably be expected to, impede, interfere with, delay, postpone, or materially adversely affect the Merger or any of the other transactions contemplated by the Merger Agreement. The Hirsch shareholders party to the irrevocable proxy and voting agreement also granted SCM an irrevocable proxy to vote their respective shares of Hirsch common stock in accordance with such agreement on their behalf. As of February 10, 2009, Hirsch shareholders that entered into the irrevocable proxy and voting agreement

owned in the aggregate 1,021,456 shares of Hirsch common stock, representing approximately 22% of the outstanding shares of Hirsch common stock. For a more complete description of the irrevocable proxy and voting agreement, see the section entitled Certain Agreements Related to the Merger Irrevocable Proxy and Voting Agreement in this joint proxy statement/information statement and prospectus.

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Q. Are there other conditions that need to be satisfied to consummate the Merger?

A. In addition to the requirement of obtaining SCM stockholder and Hirsch shareholder approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived by the appropriate party. For a summary of the conditions that need to be satisfied to consummate the Merger, see the section entitled "The Merger Agreement - Conditions to the Completion of the Merger" in this joint proxy statement/information statement and prospectus.

Q. What will Hirsch shareholders receive in the Merger?

A. For each share of Hirsch common stock held immediately prior to the effective time of the Merger, the record holder of such share will receive \$3.00 cash (without interest and less any applicable withholding taxes), two shares of SCM common stock and one warrant to purchase one share of SCM common stock at an exercise price of \$3.00, exercisable for two years following the third anniversary of the effective time of the Merger.

Q. Will the amount of cash, number of shares of SCM common stock or number of warrants to purchase shares of SCM common stock payable or issuable to Hirsch shareholders in connection with the Merger be subject to any adjustment, for example if SCM's stock price fluctuates?

A. No. The amount of cash, number of shares of SCM common stock and number of warrants to purchase shares of SCM common stock to be paid or issued, or reserved for issuance in connection with the Merger for each share of Hirsch common stock, is fixed.

Q. Will SCM common stock issued in connection with the Merger be registered and listed on an exchange?

A. Yes. The SCM common stock issued as merger consideration will be registered under the Securities Act of 1933, as amended, and will be listed on the NASDAQ Stock Market under the symbol "SCMM" and on the Prime Standard of the Frankfurt Stock Exchange under the symbol "SMY". The shares of SCM common stock issuable upon the exercise of the warrants to purchase SCM common stock in connection with the Merger will not be registered on the registration statement on Form S-4 of which this joint proxy statement/information statement is a part. SCM intends to comply with any applicable securities regulations and registration requirements for any such issuance prior to the time the warrants become exercisable according to their terms.

Q. Will there be any transfer restrictions affecting the shares of SCM common stock or warrants to purchase shares of SCM common stock issuable to Hirsch shareholders in connection with the Merger?

A. Yes. The shares of SCM common stock to be issued to Hirsch shareholders in connection with the Merger will be subject to a lock-up that prohibits Hirsch shareholders from, among other restrictions, selling or otherwise disposing of or transferring any shares of SCM common stock received in connection with the Merger. This lock-up is effective for six months from the closing date for 50% of the SCM common stock issued to Hirsch shareholders in connection with the Merger, and is effective for nine months from the closing date for the remainder of the shares. Consequently, the Hirsch shareholders will have to bear the economic risk of holding the SCM shares for the period of the lock-up.

Subject to certain limited exceptions, the warrants to purchase shares of SCM common stock issuable to Hirsch shareholders in connection with the Merger will not be transferable by the holder without the prior written consent of SCM, and will not be listed on the NASDAQ Stock Market or otherwise publicly traded.

In addition, if you will be an employee of SCM or the Surviving Subsidiary after the closing, your shares may be subject to SCM's insider trading policies.

For more information regarding the transfer restrictions affecting the shares of SCM common stock or warrants to purchase shares of SCM common stock issuable to Hirsch shareholders in connection with the Merger, see the sections entitled "The Merger Agreement - Lock-Up," "Certain Agreements Related to the Merger - Warrants," and "Certain Agreements Related to the Merger - Stockholder Agreement" in this joint proxy statement/information statement and prospectus.

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Q. What is the stockholder agreement and who are the parties to that agreement?

A. Several Hirsch shareholders, including each of the members of Hirsch's board of directors, members of management and their respective affiliates, have entered into a stockholder agreement with SCM. Under the terms of the stockholder agreement, the Hirsch shareholders party thereto have agreed that for three years following the closing date of the Merger they will not propose or enter into any acquisition transaction or take certain other hostile actions with respect to SCM. In addition, under the terms of the stockholder agreement, Lawrence W. Midland and certain of his affiliates have agreed not to sell or transfer, or otherwise dispose of the shares of SCM common stock received in the Merger until one year after the closing date of the Merger with respect to 33% of the shares, 18 months after the closing date with respect to 33% of the shares, and two years after the closing date with respect to the remaining shares. As of February 10, 2009, the shareholders of Hirsch that entered into the stockholder agreement owned in the aggregate 1,021,456 shares of Hirsch common stock, representing approximately 22% of the outstanding Hirsch common stock. For more information regarding the stockholder agreement, see the section entitled "Certain Agreements Related to the Merger - Stockholder Agreement" in this joint proxy statement/information statement and prospectus.

Q. What will happen to the Hirsch options?

A. At the effective time of the Merger, each option to purchase shares of Hirsch common stock outstanding and unexercised immediately prior to the effective time of the Merger will be terminated and cancelled. For more information regarding the treatment of the Hirsch Options, see the section entitled "The Merger Agreement - Merger Consideration - Treatment of Hirsch Options and Warrants" in this joint proxy statement/information statement and prospectus.

Q. What will happen to the Hirsch warrants?

A. At the effective time, each warrant to purchase shares of Hirsch common stock outstanding and not terminated or exercised immediately prior to the effective time of the Merger will be converted into a warrant to purchase the number of shares of SCM common stock calculated according to the conversion ratio as defined in the Merger Agreement. For more information regarding the treatment of the Hirsch Warrants and the conversion ratio, see the section entitled "The Merger Agreement - Merger Consideration - Treatment of Hirsch Options and Warrants" in this joint proxy statement/information statement and prospectus.

Q. Will there be any change to the shares of SCM common stock held by SCM's stockholders?

A. No. The Merger does not result in any changes to the existing shares of SCM common stock. The current stockholders of SCM will continue to be stockholders of SCM after the Merger.

Q. Who will be the directors of SCM following the Merger?

A. Immediately following the effective time of the Merger, the board of directors of SCM is expected to be composed of the following members:

Name	Title
Werner Koepf	Chairman of the Board
Dr. Hagen Hultzsch	Director

Steven Humphreys
Dr. Hans Liebler
Felix Marx
Lawrence W. Midland

Director
Director
Chief Executive Officer and Director
Executive Vice President, President of the Surviving Subsidiary
and Director
Chief Financial Officer and Director
Director

Stephan Rohaly
Simon Turner

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Q. Who will be the executive officers of SCM immediately following the Merger?

- A. Immediately following the effective time of the Merger, the executive officers of SCM are expected to be composed of the following members:

Name	Title
Felix Marx	Chief Executive Officer
Stephan Rohaly	Vice President, Chief Financial Officer and Secretary
Eang Sour Chhor	Executive Vice President, Strategy, Marketing and Engineering
Lawrence W. Midland	Executive Vice President, Hirsch Business Division
Dr. Manfred Mueller	Executive Vice President, Strategic Sales and Business Development

Q. Who will be the directors of the Surviving Subsidiary immediately following the Merger?

- A. As a result of the Merger, the Surviving Subsidiary will be a new Delaware limited liability company and a wholly-owned subsidiary of SCM. The Surviving Subsidiary will have no directors and will be managed by SCM as the sole member.

Q. Who will be the executive management of the Surviving Subsidiary immediately following the Merger?

- A. Immediately following the effective time of the Merger, the executive management team of the Surviving Subsidiary is expected to be composed of the following members:

Name	Title
Lawrence W. Midland	President
Robert Beliles	Vice President of Enterprise Business Development
John Piccininni	Vice President of Sales
Robert Zivney	Vice President of Marketing

Q. What are the material U.S. federal income tax consequences of the Merger to Hirsch shareholders and warrant holders?

- A. SCM and Hirsch have structured the Merger with the intent that it qualify as a reorganization under Section 368 of the Internal Revenue Code of 1986. If the Merger qualifies as such a reorganization, Hirsch shareholders will recognize taxable income as a result of the Merger equal to the lesser of (i) the amount of cash received and (ii) the total gain on the transaction. If the Merger qualifies as such a reorganization, Hirsch warrant holders will not be subject to tax as a result of the Merger. The qualification of the Merger as a reorganization depends on numerous factors including whether Hirsch shareholders will receive a sufficient amount of SCM common stock to satisfy the continuity of interest test applicable to reorganizations under Section 368 of the Internal Revenue Code of 1986, as amended. Whether the Merger meets that test depends in large part on the value of the SCM stock issued to Hirsch shareholders as compared to the value of all consideration issued to Hirsch shareholders. Based on an estimated valuation, the Merger should satisfy the continuity of interest test. If, however, the Internal Revenue Service were to challenge the valuation and successfully contend that the Merger failed to qualify as a

reorganization, the Merger would be a fully taxable transaction to Hirsch shareholders and warrant holders. In such case, Hirsch shareholders and warrant holders would recognize gain or loss measured by the difference between the value of all consideration received by them in the Merger and their tax basis in the Hirsch common stock and the warrants, as the case may be, surrendered in the Merger. For additional discussion of the tax treatment of the Merger, see the section entitled Material United States Income Tax Consequences of the Merger in this joint proxy statement/information statement and prospectus.

Q: What are the material U.S. federal income tax consequences of the Merger to SCM stockholders?

A: SCM stockholders will not recognize a gain or loss as a result of the Merger, whether or not the Merger qualifies as a reorganization under Section 368 of the Internal Revenue Code of 1986, as amended.

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Q: Do Hirsch shareholders have appraisal or dissenters rights in connection with the Merger?

A: Yes. Hirsch shareholders are entitled to exercise dissenters rights in connection with the Merger by complying with all of the California law procedures discussed in the section entitled "The Merger Appraisal Rights and Dissenters Rights" and in *Annex O*. To exercise dissenters rights in connection with the Merger, a Hirsch shareholder must not vote his or her shares of Hirsch common stock in favor of the Merger and must make a written demand to have Hirsch purchase the shares at their fair market value. Failure to follow precisely any of the statutory procedures set forth in *Annex O* may result in the loss or waiver of dissenters rights under California law.

Q: Do SCM stockholders have appraisal or dissenters rights in connection with the Merger?

A: No. SCM stockholders do not have appraisal or dissenters rights in connection with the issuance of the shares of SCM common stock or warrants to purchase shares of SCM common stock in connection with the Merger or the Merger.

Q. As a SCM stockholder, how does the SCM board of directors recommend that I vote?

A. After careful consideration, the SCM board of directors recommends that SCM stockholders vote:

FOR Proposal No. 1 to approve the issuance of the shares of SCM common stock and the warrants to purchase shares of SCM common stock in connection with the Merger; and

FOR Proposal No. 2 to adjourn the SCM special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

Q. As a Hirsch shareholder, how does the Hirsch board of directors recommend that I vote?

A. After careful consideration, the Hirsch board of directors recommends that Hirsch shareholders vote:

FOR Proposal No. 1 to approve and adopt the Merger and the Merger Agreement; and

FOR Proposal No. 2 to adjourn the Hirsch special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Proposal No. 1.

Q. What risks should I consider in deciding how to vote?

A. You should carefully read this entire joint proxy statement/information statement and prospectus, including each of the annexes, and pay specific attention to the section entitled "Risk Factors," which sets forth certain risks and uncertainties related to the Merger and the businesses of SCM and Hirsch.