As filed with the Securities and Exchange Commission on May 26, 2004

Registration No. 333-114419

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 1
TO

FORM S-1

REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

GSI TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

California (prior to reincorporation) Delaware (after reincorporation) (State or other jurisdiction of incorporation or organization)	**3674 (Primary Standard Industrial Classification Code number)**	**77-0398779 (I.R.S. Employer Identification No.)**

2360 Owen Street
Santa Clara, California 95054
(408) 980-8388
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

LEE-LEAN SHU
President and Chief Executive Officer
GSI TECHNOLOGY, INC.
2360 Owen Street
Santa Clara, California 95054
(408) 980-8388

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Please send copies of all communications to:

DENNIS C. SULLIVAN, ESQ.	**DONNA M. PETKANICS, ESQ.**
Gray Cary Ware & Freidenrich LLP	Wilson Sonsini Goodrich & Rosati, P.C.
2000 University Avenue	650 Page Mill Road
East Palo Alto, California 94303-2248	Palo Alto, California 94304-1050
(650) 833-2000	(650) 493-9300

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. / /

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

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

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

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

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

Subject to Completion
Preliminary Prospectus dated May 26, 2004

PROSPECTUS

Shares

Common Stock

This is GSI Technology, Inc.'s initial public offering of its common stock. We are offering shares and the selling stockholders are offering shares. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. We expect the public offering price to be between $ and $ per share.

Currently, no public market exists for the shares. After pricing of the offering, we expect the shares will be quoted on the Nasdaq National Market under the symbol "GSIT."

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 7 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds before expenses, to GSI Technology, Inc.	$	$
Proceeds before expenses, to Selling Stockholders	$	$

The underwriters may also purchase up to an additional shares from us, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2004.

Merrill Lynch & Co.

Needham & Company, Inc.

Friedman Billings Ramsey

C.E. Unterberg, Towbin

The date of this prospectus is , 2004

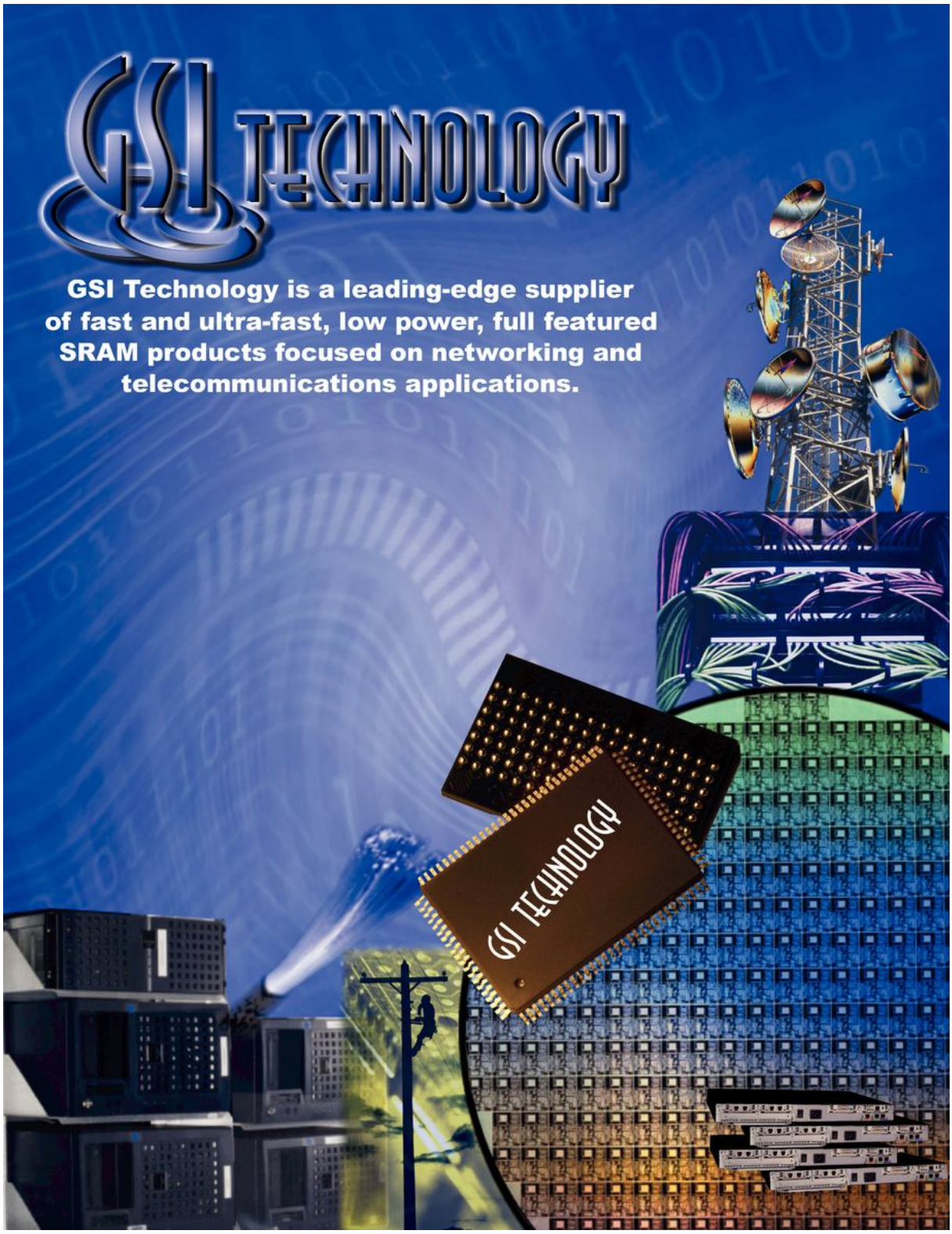
GSI TECHNOLOGY
GSI Technology is a leading-edge supplier of fast and ultra-fast, low power, full featured SRAM products focused on networking and telecommunications applications.
GSI TECHNOLOGY

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the selling stockholders and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the selling stockholders and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including our financial statements and the risks of investing in our common stock discussed under "Risk Factors" before making an investment decision. References to "we", "us" and "our" refer to GSI Technology, Inc.

GSI Technology, Inc.

We design, develop and market high performance SRAM, or static random access memory, integrated circuits, or ICs, for the networking and telecommunications markets. We are a leading provider of Fast SRAM products, which perform at higher speeds and provide greater density than commodity SRAM products used in other applications. Within the Fast SRAM market, we focus on higher speed devices, or what we refer to as Ultra-Fast SRAMs, which are Fast SRAM ICs that require less than 5 nanoseconds to retrieve data from memory. We provide a broad range of advanced, highly reliable Fast and Ultra-Fast SRAM solutions that target high performance equipment, such as routers, switches, wireless local area network infrastructure equipment, wireless basestations and network access equipment. We believe our advanced circuit design expertise provides original equipment manufacturers, or OEMs, with early access to next generation technologies, superior performance, advanced feature sets and high reliability, thereby enabling them to bring networking and telecommunications equipment to market quickly.

We work closely with leading networking and telecommunications OEMs to better anticipate their needs and gain insight into future technology requirements. Our products are used by leading OEMs in the networking and telecommunications markets, including Agilent Technologies, Alcatel, Cisco Systems, Huawei Technologies and Lucent Technologies. We rely on Cisco Systems for a significant portion of our net revenues. Due primarily to an increase in orders for our Fast and Ultra-Fast SRAM products, our net revenues increased from $21.0 million for the fiscal year ended March 31, 2003 to $35.4 million for the fiscal year ended March 31, 2004.

Growth in data, voice and video traffic has driven the need for greater networking bandwidth, resulting in the continued build-out of the networking and telecommunications infrastructure. This growth has led to the proliferation of a wide variety of networking equipment throughout the networking and telecommunications infrastructure. This equipment includes routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment. All of these products require Fast SRAM ICs, and OEMs are increasingly relying upon advanced SRAM technology to enable higher performance of their products.

As networking equipment must increasingly support advanced traffic content such as Voice over Internet Protocol, or VoIP, and video streaming, networking and telecommunications OEMs are driving demand for even higher performance Fast and Ultra-Fast SRAM ICs. Networking and telecommunications OEMs are also under increasing pressure to bring these higher performance products to market rapidly. As a result, networking and telecommunications OEMs have increasingly relied on SRAM providers that offer a broad range of advanced Fast and Ultra-Fast SRAM ICs and who are capable of rapidly developing and introducing ICs that incorporate advanced feature sets.

Through the use of advanced architectures and design methodologies, we believe we are a technology leader in the development of Fast and Ultra-Fast SRAM ICs. The majority of our solutions have access speeds of less than 5 nanoseconds. By providing faster ICs, we enable our customers to design and develop higher performance products that support increasingly complex traffic content.

We currently offer 30 basic product configurations, which are the basis for over 2,500 individual products. Our broad product offering enables us to leverage our research and development to design

and develop our product lines to meet the precise and changing requirements of networking and telecommunications OEMs.

Our products consume up to 50% less power than comparable products offered by our principal competitors. As a result, our products generate less heat, increasing the reliability of the networking equipment in which they are used. Furthermore, because of the low power requirements of our products, OEMs are able to add capabilities to their systems which otherwise might not have been possible due to overall system power constraints.

Our designs enable multiple product families to be manufactured from a single die. This flexibility allows us to minimize manufacturing time and respond quickly to shipment requirements that are characteristic of the networking and telecommunications markets. Our flexible product designs also allow OEMs to reduce their cost and time-to-market by evaluating and qualifying one product configuration, enabling them to more easily qualify related products within the same product family. Additionally, our single die solution allows us to reduce our costs through better inventory management, the purchase of fewer mask sets, streamlining internal product qualifications, and more efficient use of engineering resources.

Our products offer features that address a broad range of networking and telecommunications OEM system requirements. These proprietary features include a JTAG test port, which enables post assembly verification of the connection between our ICs and the system board, thereby allowing our customers to more rapidly develop, test and ship their products. Additionally, we offer our FLXDrive feature which allows the system designer to optimize signal performance for a given requirement. We provide OEMs the ability to use our ICs in various modes of operation using our flexible pin out structure, thus increasing product flexibility and availability. We also perform a full range of product reliability testing and comprehensively test all of our products at a wide range of extreme hot and cold temperatures, in addition to performing burn-in, to help assure high levels of quality and reliability.

We work with independent wafer foundries to manufacture our products in order to increase yields, lower manufacturing costs and enhance the quality of our products. This business model allows us to focus our resources on research and development, product design and marketing, while gaining access to advanced manufacturing process technologies without significant capital investments and the related fixed costs.

Our objective is to become the leading provider of Fast and Ultra-Fast SRAMs. Key elements of our strategy to achieve this objective include:

- continue to focus on the networking and telecommunications markets;
- collaborate with wafer foundries to leverage leading-edge process technologies;
- continue to invest in research and development to extend our technology leadership;
- focus on industry-leading OEMs; and
- leverage our core strengths to develop other product lines.

We were incorporated in California in 1995 under the name Giga Semiconductor, Inc. We changed our name to GSI Technology in December 2003 and reincorporated in Delaware in 2004. Our principal executive offices are located at 2360 Owen Street, Santa Clara, California, 95054 and our telephone number is (408) 980-8388.

The Offering

Common stock offered by:		
GSI Technology, Inc.		shares
Selling stockholders		shares
Total		shares
Common stock to be outstanding after this offering		shares
Use of proceeds	We estimate that our net proceeds from this offering, without exercise of the overallotment option, will be approximately $ million. We intend to use these net proceeds for general corporate purposes including working capital. See "Use of Proceeds."	
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares our common stock.	
Proposed Nasdaq National Market symbol	GSIT	

The number of shares of common stock to be outstanding after this offering is based on the pro forma number of shares outstanding as of March 31, 2004 and reflects the conversion of all shares of our outstanding convertible preferred stock into 15,120,168 shares of our common stock. This information excludes:

- 3,511,263 shares issuable upon the exercise of outstanding options issued under our stock option plans, with a weighted average exercise price of $2.63 per share;
- 1,127,839 shares authorized for future issuance under our 2000 stock option plan;
- 3,000,000 shares authorized for future issuance under our 2004 equity incentive plan; and
- 500,000 shares authorized for future issuance under our 2004 employee stock purchase plan.

The number of shares authorized for future issuance under our 2004 equity incentive plan and our 2004 employee stock purchase plan reflected above does not include shares that may be available for future issuance pursuant to the automatic share reserve increase provisions of these plans.

In addition, the underwriters have a 30-day option to purchase up to additional shares from us. Some of the disclosures in this prospectus would be different if the underwriters exercise their overallotment option. Unless we tell you otherwise, the information in this prospectus:

- reflects the conversion of all outstanding shares of preferred stock into 15,120,168 shares of common stock upon the completion of this offering;
- gives effect to our planned reincorporation in Delaware which will occur immediately prior to the completion of this offering; and
- assumes that the underwriters will not exercise their overallotment option.

SUMMARY FINANCIAL DATA

The following tables provide summary financial data and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes appearing elsewhere in this prospectus.

	Year Ended March 31,				
	2000	2001	2002	2003	2004
	(in thousands, except per share data)				
Statement of Operations Data:					
Net revenues	$ 41,820	$ 73,653	$ 24,826	$ 20,981	$ 35,419
Cost of revenues	27,434	42,424	19,133	18,477	26,619
Gross profit	14,386	31,229	5,693	2,504	8,800
Operating expenses:					
Research and development	1,627	5,097	4,848	6,206	5,500
Selling, general and administrative	4,080	7,377	4,883	4,500	4,152
Total operating expenses	5,707	12,474	9,731	10,706	9,652
Income (loss) from operations	8,679	18,755	(4,038)	(8,202)	(852)
Interest and other income (expense), net	58	560	779	144	182
Income (loss) before income taxes	8,737	19,315	(3,259)	(8,058)	(670)
Provision for (benefit from) income taxes	3,287	7,987	(1,190)	(620)	—
Net income (loss)	$ 5,450	$ 11,328	$ (2,069)	$ (7,438)	$ (670)
Net income (loss) per share:					
Basic	$ 1.96	$ 2.73	$ (0.44)	$ (1.39)	$ (0.12)
Diluted	$ 0.26	$ 0.53	$ (0.44)	$ (1.39)	$ (0.12)
Weighted average shares:					
Basic	2,784	4,157	4,713	5,334	5,664
Diluted	20,702	21,452	4,713	5,334	5,664

	March 31, 2004	
	Actual	Pro Forma As Adjusted
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 3,488	$
Working capital	18,152	
Total assets	30,899	
Redeemable convertible preferred stock	9,007	
Total stockholders' equity	$ 11,619	$

The pro forma as adjusted information above reflects the sale of shares of common stock by us in this offering at an assumed public offering price of $ per share, after deducting the underwriting discount and estimated offering expenses, and giving effect to the conversion of all outstanding shares of our convertible preferred stock into 15,120,168 shares of our common stock and the application of the net proceeds of the offering.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this prospectus before deciding whether to purchase our common stock. If any of the following risks actually occur, our business, financial condition and results of operations would suffer. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock.

Risks Related to Our Business and Our Industry

We have incurred significant losses in prior periods and may incur losses in the future.

We incurred net losses of $670,000, $7.4 million and $2.1 million for fiscal 2004, fiscal 2003 and 2002, respectively, and we may incur additional losses in the future. Our business does not have an established record of profitability and we may not be able to achieve or sustain profitability in the future. In addition, we expect our operating expenses to increase as we expand our business. If our revenues do not grow to offset these expected increased expenses, our business will suffer. Our ability to increase our revenues depends on a number of factors, including:

- the rate of growth of our target markets;
- the continued market acceptance of the products of our end-users, the networking and telecommunications OEMs which incorporate our products into their equipment;
- the competitive position of our products; and
- our ability to develop new products.

You should not consider recent quarterly revenue growth as an indication of our future performance. In fact, in future quarters we may not have any revenue growth, or our revenues could decline. Furthermore, if our operating expenses exceed our expectations, our financial performance will be adversely affected.

Unpredictable fluctuations in our operating results could cause our stock price to decline.

Our quarterly revenues, expenses and operating results have varied in the past and might vary significantly from quarter to quarter in the future. For example, in the last two fiscal years, we have recorded quarterly operating income of as much as $1.1 million and quarterly operating losses of as much as $2.3 million. We therefore believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance, and you should not rely on them to predict our future performance or the future performance of our stock price.

Our expenses are, to a large extent, fixed, and we expect that these expenses will increase in the future. We will not be able to adjust our spending quickly if our revenues fall short of our expectations. If this were to occur, our operating results would be harmed. If our operating results in future quarters fall below the expectations of market analysts and investors, the price of our common stock could fall.

We depend upon the sale of our Fast and Ultra-Fast SRAMs for all of our revenues, and a downturn in demand for our products could have a more disproportionate impact on our revenues than if we derived revenues from a more diversified product offering.

We derive all of our revenues from the sale of our Fast and Ultra-Fast SRAMs, and sales of these products will represent the substantial majority of our revenues for the foreseeable future. Our business depends in large part upon continued demand for our products in the markets we currently serve, and adoption of our products in new markets. Market adoption will be dependent upon our

ability to increase customer awareness of the benefits of our products and to prove their high performance and cost effectiveness. We may not be able to sustain or increase our revenues from sales of our products, particularly if the networking and telecommunications markets enter into another downturn in the future. Any decrease in revenues from sales of our products could harm our business more than it would if we offered a more diversified line of products.

We are subject to the highly cyclical nature of the networking and telecommunications markets.

Our products are incorporated into products used in the highly cyclical networking and telecommunications markets. In recent quarters, the networking and telecommunications markets have begun to emerge from an extended period of severe contraction. During this market contraction, our operating results sharply declined. Prior to this period of contraction, the networking and telecommunications markets experienced a period of rapid growth. During this period of growth, a number of new telecommunications and networking companies entered the market. These new companies raised significant amounts of capital, much of which they invested in new equipment, causing acceleration in demand for networking and telecommunications equipment, and hence, an increase in demand for our products. We expect that the networking and telecommunications markets will continue to be highly cyclical, characterized by periods of rapid growth and contraction. Our business and our operating results are likely to fluctuate, perhaps quite severely, as a result of this cyclicality.

Downturns in the semiconductor industry may harm our business.

The semiconductor industry is highly cyclical. The industry has experienced significant downturns, often in connection with, or in anticipation of, maturing product cycles of both semiconductor companies' and their customers' products and declines in general economic conditions. These downturns have been characterized by production overcapacity, high inventory levels and accelerated erosion of average selling prices. From time to time, the semiconductor industry also has experienced periods of increased demand and production capacity constraints.

Our operating results may suffer during the down portion of these cycles. For example, the SRAM industry experienced significant declines in the average selling prices of SRAM products during the recent downturn in the semiconductor industry. We expect similar declines to occur in the future. Downturns in the semiconductor industry could cause our stock price to be volatile, and a prolonged decline in the industry could harm our operating results.

The average selling prices of our products are expected to decline, and if we are unable to offset these declines, our operating results will suffer.

We expect that the average unit selling prices of our products will be subject to significant pricing pressures. A reduction in average selling prices of our products could result in reduced revenues and lower gross margins on our products. Our ability to increase our net revenues and maintain our gross margins despite a decline in the average selling prices of our products will depend on a variety of factors, including our ability to introduce lower cost versions of our existing products, increase unit sales volumes of these products, and introduce new products with higher prices. If we fail to accomplish any of these objectives, our business will suffer. To reduce our costs, we may be required to implement design changes that lower our manufacturing costs, negotiate reduced purchase prices from our foundries and assembly and test vendors, and successfully manage our manufacturing and subcontractor relationships. Because we do not operate our own wafer foundry or assembly facilities, we may not be able to reduce our costs as rapidly as companies that operate their own foundries or facilities.

A small number of customers account for a significant percentage of our net revenues. If any of our major customers reduce the amount they purchase or stop purchasing our products, our operating results will suffer.

Historically, a small number of customers and end-users have accounted for a significant portion of our net revenues. A significant percentage of our sales are made to distributors and to contract manufacturers who incorporate our products into end products for systems manufacturers, including Cisco Systems. In fiscal 2004, SMART Modular Technologies, which operates consigned warehouses for Cisco Systems, accounted for 27.1% of our net revenues. During the same period, distributors Impact and Avnet Logistics accounted for 18.0% and 14.0%, respectively, of our net revenues. Purchases by Cisco Systems, the largest end-user of our products, represented approximately 25% to 30% of our net revenues in each of the past three fiscal years. Cisco Systems purchases our products directly, through our distributors, through its contract manufacturers and through SMART Modular Technologies.

We anticipate that our operating results in any given period will continue to depend, to a significant extent, upon revenues from a small number of end-users, distributors and contract manufacturers. We expect to continue to depend significantly on orders from our key end-users, particularly Cisco Systems, and our future success is dependent to a large degree on the business success of these end-users over which we have no control. We do not have long-term contracts with Cisco Systems, or our other major end-users, distributors or contract manufacturers that obligate them to purchase our products. If we fail to continue to sell to our key end-users, distributors or contract manufacturers in sufficient quantities, the growth of our business could be harmed. If a key end-user, distributor or contract manufacturer were to delay orders or payment or terminate its relationship with us, our business would be harmed.

A small number of customers generally account for a significant portion of our accounts receivable in any period, and if any one of them fails to pay us, our operating results will suffer.

A small number of customers generally account for a significant portion of our accounts receivable in any period, and if any of them fails to pay us, our operating results will suffer. For example, at March 31, 2004, SMART Modular Technologies, Avnet Logistics and Unique Technologies accounted for 17.2%, 16.9% and 14.7%, respectively, of our accounts receivable. If any of these customers do not pay us, our operating results will be harmed. Generally, we do not require collateral from our customers.

The market for Fast and Ultra-Fast SRAMs is highly competitive.

The market for Fast and Ultra-Fast SRAMs, which are used primarily in networking and telecommunications equipment, is characterized by price erosion, rapid technological change, cyclical market patterns and heightened foreign and domestic competition. Several of our competitors offer broader product lines and have greater financial, technical, marketing, distribution and other resources than we have. We cannot assure you that we will be able to compete successfully against any of these competitors. Our ability to compete successfully in this market depends on factors both within and outside of our control, including:

- real or perceived imbalances in supply and demand of SRAMs;
- the rate at which OEMs incorporate our products into their systems;
- the success of our customers' products;
- our ability to develop and market new products;
- access to advanced process technologies at competitive prices; and

- the supply and cost of wafers.

In addition, we are vulnerable to advances in technology used by competitors to offer products that feature higher performance, lower cost or lower power capabilities. There can be no assurance that we will be able to compete successfully in the future as to any of these factors. Our failure to compete successfully in these or other areas could harm our business.

Our products are complex and could contain defects, which could reduce revenues or result in claims against us.

We develop complex products. Despite testing by us and our end-users, design or manufacturing errors may be found in existing or new products. These defects could result in a delay in recognition or loss of revenues, loss of market share or failure to achieve market acceptance. These defects may also cause us to incur significant warranty, support and repair costs, divert the attention of our engineering personnel from our product development efforts, result in a delay or loss of market acceptance of our products and harm our relationships with our end-users. Our end-users could also seek and obtain damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend.

In addition, wafers and other components used in our products may contain defects that are not fully recoverable from our independent wafer foundries and other suppliers. For example, in the quarter ended March 31, 2003, we returned approximately $2.8 million of product to Taiwan Semiconductor Manufacturing Company Limited, or TSMC, and received a credit of $2.1 million, which required us to take a charge of approximately $700,000 to cost of revenues for manufacturing costs incurred in excess of the amount credited by TSMC.

We are dependent on the supply of wafers from independent foundries over which we have no control, and if we fail to obtain an adequate supply of wafers, our business will be harmed.

To produce our products, we require wafers that are manufactured by independent foundries over which we have no control. If we are unable to obtain an adequate supply of wafers from our current or any alternative sources in a timely manner, our operating results will be harmed. Our ability to increase IC shipments is dependent on our ability to increase production through the allocation of increased wafer fabrication capacity by our existing foundries. To date, our principal manufacturing relationship has been with TSMC from which we have obtained a substantial majority of our wafers. We also receive wafers from WaferTech LLC, located in Washington. WaferTech is a subsidiary of TSMC. Each of our wafer foundries also supplies wafers to other IC companies, including our competitors. We do not have supply agreements with these manufacturers, and instead obtain manufacturing services on a purchase-order basis. Our manufacturers have no obligation to supply products to us for any specific product, in any specific quantity, at any specific price or for any specific time period. If these suppliers experience manufacturing failures or yield shortfalls, are disrupted by natural disaster or political instability, choose to prioritize capacity for other uses or reduce or eliminate deliveries to us, we likely will not be able to enforce fulfillment of any delivery commitments. Our wafer foundries may be unable to supply us with sufficient quantities to meet all of our requirements. If this were to occur, we would have to allocate our products among our end-users which would constrain our growth and might cause some of them to seek alternative sources of supply. To increase our supply of wafers, we may seek to qualify additional manufacturing sources. The qualification process may take up to 12 months or longer and there is no assurance that we will be able to find and qualify another manufacturer. Moreover, it is uncertain whether additional manufacturing sources would agree to deliver an adequate supply of wafers to us.

Because we outsource our wafer manufacturing and independent wafer foundry capacity is limited, we may be required to enter into costly long-term supply arrangements to secure foundry capacity.

We do not have long-term supply agreements with our wafer foundries but instead obtain our wafers on a purchase order basis. In order to secure wafer supply from our current or future independent foundries, we may be required to enter into various arrangements with them, which could include:

- contracts that commit us to purchase specified quantities of wafers over extended periods;
- investments in and joint ventures with the foundries; or
- non-refundable deposits with or prepayments or loans to foundries in exchange for capacity commitments.

We may not be able to make any of these arrangements in a timely fashion or at all, and these arrangements, if any, may not be on terms favorable to us. Moreover, if we are able to secure independent foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

Any significant order cancellations or order deferrals could adversely affect our operating results.

We typically sell products pursuant to purchase orders that customers can generally cancel or defer on short notice without incurring a significant penalty. Any significant cancellations or deferrals in the future could materially and adversely affect our business, financial condition and results of operations. Cancellations or deferrals could cause us to hold excess inventory, which could reduce our profit margins, increase product obsolescence and restrict our ability to fund our operations. We generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not pay for these products, we could miss future revenue projections or incur significant charges against our income, which could materially and adversely affect our operating results.

Demand for our products may decrease if our end-users and contract manufacturers experience difficulty manufacturing, marketing or selling their products.

Our products are used as components in our end-users' networking and telecommunications products. For example, Cisco Systems, our largest end-user, incorporates our products in a number of its networking routers and switches. Accordingly, demand for our products is subject to factors affecting the ability of our end-users and their contract manufacturers to successfully introduce and market their products, including:

- capital spending by service providers and other enterprises who purchase our end-users' products;
- the competition our end-users face in the networking and telecommunications industries;
- the technical, manufacturing, sales and marketing and management capabilities of our end-users and contract manufacturers;
- the financial and other resources of end-users of our products and their contract manufacturers; and
- the inability of our end-users to sell their products if they infringe third party intellectual property rights.

If demand for the products offered by our end-users or their contract manufacturers decreases, they may reduce purchases of our products, which would harm our business.

If we do not successfully develop new products to respond to rapid market changes due to changing technology and evolving industry standards, particularly in the networking and telecommunications markets, our business will be harmed.

If we fail to offer technologically advanced products and respond to technological advances and emerging standards, we may not generate sufficient revenues to offset our development costs and other expenses, which will hurt our business. The development of new or enhanced products is a complex and uncertain process that requires the accurate anticipation of technological and market trends. In particular, the networking and telecommunications markets are rapidly evolving and new standards are emerging. We may experience development, marketing and other technological difficulties that may delay or limit our ability to respond to technological changes, evolving industry standards, competitive developments or end-user requirements. For example, because we have limited experience developing IC products other than Fast and Ultra-Fast SRAMs, our efforts to introduce new products may not be successful and our business may suffer. Other challenges that we face include:

- our products may become obsolete upon the introduction of alternative technologies;
- we may incur substantial costs if we need to modify our products to respond to these alternative technologies;
- we may not have sufficient resources to develop or acquire new technologies or to introduce new products capable of competing with future technologies;
- new products that we develop may not successfully integrate with our end-users' products into which they are incorporated;
- we may be unable to develop new products that incorporate emerging industry standards;
- we may be unable to develop or acquire the rights to use the intellectual property necessary to implement new technologies; and
- when introducing new or enhanced products, we may be unable to manage effectively the transition from older products.

We may experience difficulties in transitioning to smaller geometry process technologies and other more advanced manufacturing process technologies and that may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition the manufacture of our products to smaller geometry process technologies. This transition will require us to migrate to new manufacturing processes for our products and redesign certain products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs and increase performance, and we have designed products to be manufactured using 90 nanometer geometry process technologies. We may experience difficulty in transitioning to smaller geometry process technologies or new manufacturing processes. These difficulties could result in reduced manufacturing yields, delays in product deliveries and increased expenses. We are dependent on our relationships with our wafer foundries to transition successfully to smaller geometry process technologies and to more advanced manufacturing processes. We cannot assure you that our wafer foundries will be able to effectively manage the transition or that we will be able to maintain our relationships with our foundries. If we or our wafer foundries experience significant delays in this transition or fail to implement these transitions, our business, financial condition and results of operations could be materially and adversely affected.

Our products have lengthy sales cycles that make it difficult to plan our expenses and forecast results.

Our products are generally incorporated in our end-users' products at the design stage. However, their decisions to use our products often require significant expenditures by us without any assurance of success, and often precede volume sales, if any, by a year or more. If an end-user decides at the design stage not to incorporate our products into their products, we will not have another opportunity for a design win with respect to that customer's product for many months or years, if at all. Our sales cycle can take up to 24 months to complete, and because of this lengthy sales cycle, we may experience a delay between increasing expenses for research and development and our sales and marketing efforts and the generation of volume production revenues, if any, from these expenditures. Moreover, the value of any design win will largely depend on the commercial success of our end-user's products. There can be no assurance that we will continue to achieve design wins or that any design win will result in future revenues.

Our business will suffer if we are unable to protect our intellectual property.

Our success and ability to compete depends in large part upon protecting our proprietary technology. We rely on a combination of trade secret, copyright and trademark laws and non-disclosure and other contractual agreements to protect our proprietary rights. These agreements and measures may not be sufficient to protect our technology from third party infringement, or to protect us from the claims of others. In addition, we do not have any patents or registered trademarks. Monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Our attempts to enforce our intellectual property rights could be time consuming and costly. Litigation may be necessary in order to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. If competitors are able to use our technology, our ability to compete effectively could be harmed.

We could become subject to claims and litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant costs.

If we infringe the proprietary rights of others, we could be forced to either seek a license to those intellectual property rights or alter our products so that they no longer infringe upon other's proprietary rights. Any license could be very expensive to obtain or may not be available at all. In 2002, we settled patent litigation filed against us by one of our competitors, and obtained a license from that competitor in connection with the settlement. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. Litigation resulting from claims that we are infringing others propriety rights could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations. If any claims received in the future were to be upheld, the consequences to us would be severe and could require us to:

- stop selling our products that incorporate the challenged intellectual property;
- obtain a license to sell or use the relevant technology, which license may not be available on reasonable terms or at all;
- pay damages; or
- redesign those products that use the disputed technology.

If we are forced to take any of the foregoing actions, our business could be severely harmed.

As our business grows, such growth may place a significant strain on our management and operations and, as a result, our business might not succeed.

Our ability to grow successfully requires an effective planning and management process. We plan to continue to expand our business and our growth could place a significant strain on our management systems, infrastructure and other resources. To manage our growth effectively, we must invest the necessary capital and continue to improve and expand our systems and infrastructure in a timely and efficient manner. Those resources might not be available when we need them, which would limit our growth. Our officers have limited experience in managing large or rapidly growing businesses. In addition, the majority of our management has no experience in managing a public company or communicating with securities analysts and public company investors. Our controls, systems and procedures might not be adequate to support a growing public company. If our management fails to respond effectively to changes in our business, our business might not succeed.

Our international business exposes us to additional risks.

Products provided to our international customers accounted for 54.7% and 47.6% of our net revenues in fiscal 2004 and fiscal 2003, respectively. Moreover, a substantial portion of our products is manufactured and tested in Taiwan. We intend to expand our international business in the future. Conducting business outside of the United States subjects us to additional risks and challenges, including:

- compliance with a wide variety of foreign laws and regulations;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, export licenses and other trade barriers;
- political and economic instability in, or foreign conflicts that involve or affect, the countries of our customers;
- difficulties in collecting accounts receivable and longer accounts receivable payment cycles;
- difficulties in staffing and managing personnel, distributors and representatives;
- reduced protection for intellectual property rights in some countries; and
- fluctuations in freight rates and transportation disruptions.

Moreover, our reporting currency is the U.S. dollar. However, a significant portion of our operating expenses is denominated in currencies other than the U.S. dollar, primarily the new Taiwanese dollar. As a result, appreciation or depreciation of other currencies in relation to the U.S. dollar could result in material transaction or translation gains or losses that could reduce our operating results. We do not currently engage in currency hedging activities.

Our third-party foundries and other subcontractors and many of our customers are located in the Pacific Rim, an area subject to significant earthquake risk and adverse consequences related to the outbreak of SARS and other epidemics.

All of the principal foundries that manufacture our products and all of the principal subcontractors that assemble and test our products are located in Taiwan. Many of our customers are also located in the Pacific Rim. The risk of an earthquake in these Pacific Rim locations is significant. The occurrence of an earthquake or other natural disaster near these foundries or subcontractors could result in damage, power outages and other disruptions that impair their production and assembly capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling, packaging or production testing from the affected contractor to another third-party vendor. While we have some

foundry capacity in the United States, we may not be able to increase our foundry capacity in the United States, or obtain other alternate foundry capacity on favorable terms, if at all. The outbreak of SARS in the past curtailed travel to and from certain countries, primarily in the Asia-Pacific region, and limited travel within those countries. In addition, outbreaks of disease or other disasters could limit demand for our products.

Changes in Taiwan's political, social and economic environment may affect our business performance.

Because much of the manufacturing and testing of our products is conducted in Taiwan, our business performance may be affected by changes in Taiwan's political, social and economic environment. For example, any political instability resulting from the relationship among the United States, Taiwan and the People's Republic of China could damage our business. Moreover, the role of the Taiwanese government in the Taiwanese economy is significant. Taiwanese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on our ability and our suppliers' ability to do business and operate facilities in Taiwan. If any of these risks were to occur, our business could be harmed and our stock price could decline.

Our success depends on our ability to develop and manage our indirect distribution channels.

Our success depends on our ability to develop and manage our indirect distribution channels. Our existing or future channel distributors may choose to devote greater resources to marketing and supporting the products of other companies. Since we sell through multiple channels and distribution networks, we may have to resolve potential conflicts between these channels. For example, these conflicts may result from the different discount levels offered by multiple channel distributors to their customers or, potentially, from our direct sales force targeting the same equipment manufacturer accounts as our indirect channel distributors. These conflicts may harm our business or reputation.

We are substantially dependent on the continued services and performance of our senior management and other key personnel.

Our future success is substantially dependent on the continued services and continuing contributions of our senior management and other key personnel, particularly our President and Chief Executive Officer and our Vice President of Engineering. Loss of the services of any of our executive officers or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. Our management team must work together effectively in order to design our products, expand our business, increase our revenues and improve our operating results. We do not maintain key person insurance on any of our executive officers.

If we are unable to recruit or retain qualified personnel, our business and product development efforts could be harmed.

We must continue to identify, recruit, hire, train, retain and motivate highly skilled technical, managerial, sales and marketing and administrative personnel. Competition for these individuals is intense, and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. We may encounter difficulties in recruiting and retaining a sufficient number of qualified engineers, which could harm our ability to develop new products and adversely impact our relationships with existing and future end-users at a critical stage of development. The failure to recruit and retain necessary technical, managerial, sales, marketing and administrative personnel could harm our business and our ability to obtain new end-users and develop new products.

We may need to raise additional capital in the future, which may not be available on favorable terms or at all, and which may cause dilution to existing stockholders.

We may need to seek additional funding in the future. We do not know if we will be able to obtain additional financing on favorable terms, if at all. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, and we may be required to reduce operating costs which could seriously harm our business. In addition, if we issue equity securities, our stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of our common stock.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the Securities and Exchange Commission and various bodies formed to interpret and create appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Being a public company will increase our administrative costs.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 that became law in July 2002, as well as new rules subsequently adopted by the Securities and Exchange Commission and the Nasdaq National Market, have required significant changes in the corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs, and to make some activities more difficult, time consuming and/or costly. For example, as a result of becoming a public company, we have created several board committees and adopted additional internal controls and disclosure controls and procedures. We have also retained a transfer agent, a bank note company and a financial printer, adopted an insider trading policy and will have all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee, and qualified executive officers.

Risks Related to this Offering

There has been no prior market for our common stock and the price of our common stock may decline after this offering.

Before this offering, there has not been a public market for our common stock and the trading price of our common stock may decline below the initial public offering price. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that prevail in the trading market.

An active trading market may not develop and you may not be able to resell the shares you purchase at or above the initial public offering price, or at all. The trading price of our common stock

may fluctuate significantly in response to a number of factors, some of which are beyond our control, including:

- actual or anticipated declines in operating results;
- changes in financial estimates or recommendations by securities analysts;
- announcements by us or our competitors of financial results, new products, significant technological innovations, contracts, acquisitions, strategic relationships, joint ventures, capital commitments or other events;
- the gain or loss of significant orders or customers;
- recruitment or departure of key personnel; and
- market conditions in our industry, the industries of our customers and the economy as a whole.

If securities analysts do not publish research or reports about our business, our stock price could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. Other companies in our industry and market are larger, established, publicly traded companies. As a result, it may be difficult for us to attract analyst coverage. If we should be unable to attract analyst coverage or if one or more of these analysts should cease coverage of our company, our visibility in the financial market would suffer, which in turn could cause our stock price to decline. Furthermore, if one or more of the analysts who cover us downgrade our stock, our stock price would likely decline rapidly.

The price of our stock may be volatile, which could harm our business or stockholders and result in litigation.

In recent years the stock market in general, and the market for technology stocks in particular, have experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. The market price of our common stock might experience significant fluctuations in the future, including fluctuations unrelated to our performance. These fluctuations could materially adversely affect our business relationships, our ability to obtain future financing on favorable terms or otherwise harm our business. In addition, in the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. This risk is especially acute for us because the extreme volatility of market prices of technology companies has resulted in a larger number of securities class action claims against them. Due to the potential volatility of our stock price, we may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources. This could harm our business and cause the value of our stock to decline.

We have no specific plan for the use of the net proceeds, and our investment of the net proceeds may not yield a favorable return.

We plan to use most of the net proceeds from this offering for general corporate purposes, including working capital. We may use the net proceeds in ways with which our stockholders may not agree or that prove to be disadvantageous to our stockholders. We may not be able to invest the net proceeds of this offering in a manner that yields a favorable return, which could harm our financial position and cause the value of our stock to decline.

After this offering we will continue to be controlled by our executive officers, directors and major stockholders, whose interests may conflict with yours.

Upon completion of this offering, our executive officers, directors and major stockholders will beneficially own approximately % of our outstanding common stock, based on shares outstanding as of March 31, 2004. As a result, these stockholders will be able to exercise control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could have the effect of delaying or preventing a third party from acquiring control over or merging with us.

The provisions of our charter documents might inhibit potential acquisition bids that a stockholder might believe are desirable, and the market price of our common stock could be lower as a result.

Upon completion of this offering, our Board of Directors will have the authority to issue up to 5,000,000 shares of preferred stock. Our Board of Directors can fix the price, rights, preferences, privileges and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock might delay or prevent a change in control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders might be adversely affected. The issuance of preferred stock might result in the loss of voting control to other stockholders. We have no current plans to issue any shares of preferred stock. Our charter documents also contain other provisions which might discourage, delay or prevent a merger or acquisition, including:

- only one of the three classes of directors is elected each year;
- our stockholders have limited rights to remove directors without cause;
- our stockholders have no right to act by written consent;
- our stockholders have limited rights to call a special meeting of stockholders; and
- stockholders must comply with advance notice requirements to nominate directors or submit proposals for consideration at stockholder meetings.

These provisions could also have the effect of discouraging others from making tender offers for our common stock. As a result, these provisions might prevent the market price of our common stock from increasing substantially in response to actual or rumored takeover attempts. These provisions might also prevent changes in our management.

You will experience immediate and substantial dilution in the book value of your shares.

The price for each share in the initial public offering is substantially higher than the book value per share of our outstanding common stock immediately after the offering. Accordingly, if you purchase common stock in the offering, you will incur immediate and substantial dilution of approximately $ in the book value of our common stock assuming an initial price of $ per share for our common stock.

In addition, you will experience additional dilution upon the exercise of outstanding options, and options that may be granted in the future. As of March 31, 2004, there were 3,511,263 shares issuable upon the exercise of oustanding options with a weighted average exercise price of $2.63. We have also reserved an aggregate of 3,500,000 shares for future issuance under our 2004 equity incentive plan and 2004 employee stock purchase plan.

There are a large number of shares of our common stock that may be sold in the market following this offering, which may depress the market price of our common stock.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market after the completion of this offering, or the perception that those sales could occur. These sales or the possibility that they may occur also could make it more difficult for us to raise funds through future offerings of common stock. The number of shares of common stock available for sale in the public market is limited by restrictions under federal securities laws. In addition, we and the holders of over % of our common stock, including all of our executive officers and directors, have agreed not to sell shares of our common stock without the consent of the underwriters for 180 days after the day of this prospectus. Merrill Lynch & Co. may, however, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in these lock-up agreements.

Shares of our common stock will become eligible for future sale in the public market as follows:

Number of Shares	Date Eligible
	immediately as of the date of this prospectus
	180 days after the date of this prospectus, upon expiration of the lock-up agreements

We intend to register on a Form S-8 registration statements under the Securities Act of 1933 a total of approximately 3,500,000 shares of common stock reserved for issuance under our stock option and employee stock purchase plans. As of March 31, 2004, there were outstanding options to purchase 3,511,263 shares of common stock, of which options to purchase 1,946,717 shares were vested and exercisable.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions about us, including among other things:

- general economic and business conditions, both nationally and internationally;
- our expectations and estimates concerning future financial performance, financing plans and the impact of competition;
- anticipated trends in our business;
- existing and future regulations affecting our business; and
- other risk factors set forth under Risk Factors in this prospectus.

In addition, in this prospectus, the words believe, may, will, estimate, continue, anticipate, intend, expect, could, plan and similar expressions, as they relate to us, our business or our management, are intended to identify forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

USE OF PROCEEDS

At an assumed public offering price of $ per share, we will receive $ million from our sale of shares of common stock in this offering, after deducting estimated offering expenses of approximately $ million and the underwriting discount. At an assumed public offering price of $ per share, the selling stockholders will receive $ million from their sale of shares of our common stock in this offering, after deducting the underwriting discount. We will not receive any portion of the net proceeds received by the selling stockholders from the sale of their shares. If the underwriters exercise their overallotment option in full, we will receive an additional $ million in net proceeds at a public offering price of $ per share.

The principal purposes of this offering are to obtain additional capital, establish a public market for our common stock and facilitate our future access to public capital markets. We intend to use the net proceeds of this offering for working capital and other general corporate purposes, including capital expenditures and research and development. We may use a portion of the net proceeds to acquire businesses, products or technologies that are complementary to our current or future business and product lines; however, we have never made an acquisition and currently have no specific acquisitions planned. Our management will have significant flexibility in applying the net proceeds of this offering. Pending such uses, we will invest the net proceeds of this offering in investment grade, interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain future earnings to finance the growth and development of our business, and we do not anticipate declaring paying any cash dividends in the foreseeable future. Our line of credit with Chiao Tung Bank prohibits us from paying cash dividends without consent of the bank.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2004:

- on an actual basis;
- on a pro forma basis, giving effect to the conversion of all outstanding shares of our redeemable convertible preferred stock into 15,120,168 shares of common stock; and
- on a pro forma basis as adjusted to reflect the sale of shares of common stock by us in this offering, at an assumed initial public offering price of $ per share and after deducting the underwriting discount and estimated offering expenses payable by us and the application of the net proceeds of this offering as described under "Use of Proceeds."

This capitalization table should be read together with "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
Cash and cash equivalents	$ 3,488	$ 3,488	$
Redeemable convertible preferred stock, no par value; 20,000,000 shares authorized, 15,120,168 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma or pro forma as adjusted	9,007	—	—
Stockholders' equity:			
Preferred stock, $0.001 par value; no shares authorized, issued or outstanding, actual; 5,000,000 shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized, actual, pro forma and pro forma as adjusted; 6,069,550 shares issued and outstanding, actual; 21,189,718 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	6	21	
Additional paid-in capital	6,244	15,236	
Deferred stock-based compensation	(352)	(352)	(352)
Retained earnings	5,721	5,721	5,721
Total stockholders' equity	11,619	20,626	
Total capitalization	$ 20,626	$ 20,626	$

The information above excludes:

- 3,511,263 shares issuable upon the exercise of options outstanding as of March 31, 2004 under our 1997 and 2000 stock option plans, with a weighted average exercise price of $2.63 per share;
- 1,127,839 shares authorized for future issuance under our 2000 stock option plan;
- 3,000,000 shares authorized for future issuance under our 2004 equity incentive plan; and
- 500,000 shares authorized for future issuance under our 2004 employee stock purchase plan.

The number of shares authorized for future issuance under our 2004 equity incentive plan and 2004 employee stock purchase plan reflected above does not include shares that may be available for future issuance pursuant to the automatic share reserve increase provisions of these plans. The share reserve for our 2004 equity incentive plan will automatically increase on April 1 of each year, from 2006 to 2014, by an amount equal to the lesser of (a) five percent of the number of shares issued and outstanding as of the immediately preceding March 31, or (b) 1,500,000 shares. The share reserve for our 2004 employee stock purchase plan will automatically increase on April 1 of each year, from 2006 to 2014, by an amount equal to the lesser of (x) one percent of the number of shares issued and outstanding as of the immediately preceding March 31, or (y) 250,000 shares.

DILUTION

Purchasers of our common stock in this offering will experience immediate and substantial dilution in the pro forma net tangible book value of their common stock. The pro forma net tangible book value of our common stock as of March 31, 2004 was $20.6 million, or $0.97 per share. Pro forma net tangible book value per share represents the amount of our total assets, excluding net intangible assets, less our total liabilities, divided by the total number of shares of common stock outstanding, after giving effect to the conversion of all outstanding shares of convertible preferred stock into an aggregate of 15,120,168 shares of common stock. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the pro forma net tangible book value per share of our common stock immediately after the offering. After giving effect to our sale of shares of common stock in this offering, at an assumed initial public offering price of $ per share, and after deducting the underwriting discount and estimated offering expenses payable by us, the pro forma net tangible book value of our common stock would have been $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price		$
Pro forma net tangible book value as of March 31, 2004	$ 0.97	
Increase per share attributable to new investors		
Pro forma as adjusted net tangible book value after the offering		
Dilution to new public investors		$

The following table summarizes, on a pro forma as adjusted basis, as of March 31, 2004:

- the number of shares of common stock purchased from us;
- the total consideration paid to us;
- the average price per share paid by existing stockholders; and
- the price per share paid by new investors in this offering at an assumed public offering price of $, before deducting the underwriting discount and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	21,189,718	%	$ 9,422,675	%	$ 0.44
New investors					
Total		100.0%	$	100.0%	

If the underwriters' overallotment option is exercised in full, the number of shares held by new investors would increase to , or % of the total shares of common stock outstanding after this offering. After giving effect to the exercise of the underwriters' overallotment option in full, the pro forma net tangible book value of our common stock would be $ million, or $ per share. This would represent an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors.

The information in the above table excludes 3,511,263 shares issuable upon exercise of options outstanding at March 31, 2004 under our 1997 and our 2000 stock option plans, with a weighted average exercise price of $2.63 per share. To the extent these options are exercised or, additional shares

are issued under these plans, there will be further dilution to the new investors. Assuming the exercise of all outstanding options as of March 31, 2004:

- the pro forma net tangible book value of our common stock would have been $0.84 per share (or $, if the underwriters' overallotment option is exercised in full), representing an immediate

  dilution of $ per share to new investors (or $, if the underwriters' overallotment option is exercised in full);

- the number of shares purchased by existing stockholders would have been 24,700,981;

- the total consideration paid by existing stockholders would have been 18,665,848; and

- the average price per share paid by existing stockholders would have been $0.76.

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus. The statement of operations data set forth below for the fiscal years ended March 31, 2002, 2003 and 2004 and the balance sheet data as of March 31, 2003 and 2004 are derived from, and are qualified by reference to, our audited financial statements included elsewhere in this prospectus. The statement of operations data set forth below for the fiscal years ended March 31, 2000 and 2001 and the balance sheet data as of March 31, 2000, 2001 and 2002 are derived from audited financial statements not included in this prospectus.

	Year Ended March 31,				
	2000	2001	2002	2003	2004
	(in thousands, except per share data)				
Statement of Operations Data:					
Net revenues	$ 41,820	$ 73,653	$ 24,826	$ 20,981	$ 35,419
Cost of revenues	27,434	42,424	19,133	18,477	26,619
Gross profit	14,386	31,229	5,693	2,504	8,800
Operating expenses:					
Research and development	1,627	5,097	4,848	6,206	5,500
Selling, general and administrative	4,080	7,377	4,883	4,500	4,152
Total operating expenses	5,707	12,474	9,731	10,706	9,652
Income (loss) from operations	8,679	18,755	(4,038)	(8,202)	(852)
Interest and other income (expense), net	58	560	779	144	182
Income (loss) before income taxes	8,737	19,315	(3,259)	(8,058)	(670)
Provision for (benefit from) income taxes	3,287	7,987	(1,190)	(620)	—
Net income (loss)	$ 5,450	$ 11,328	$ (2,069)	$ (7,438)	$ (670)
Net income (loss) per share:					
Basic	$ 1.96	$ 2.73	$ (0.44)	$ (1.39)	$ (0.12)
Diluted	$ 0.26	$ 0.53	$ (0.44)	$ (1.39)	$ (0.12)
Weighted average shares:					
Basic	2,784	4,157	4,713	5,334	5,664
Diluted	20,702	21,452	4,713	5,334	5,664

	March 31,				
	2000	2001	2002	2003	2004
	(in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 2,445	$ 9,478	$ 9,334	$ 6,150	$ 3,488
Working capital	13,341	25,066	24,896	17,694	18,152
Total assets	23,432	49,915	32,504	23,803	30,899
Redeemable convertible preferred stock	8,551	9,007	9,007	9,007	9,007
Total stockholders' equity	$ 5,866	$ 18,663	$ 18,033	$ 11,696	$ 11,619

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ substantially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. The following discussion should be read together with our financial statements and the related notes included elsewhere in this prospectus.

Overview

We are a fabless semiconductor company that designs, develops and markets Fast and Ultra-Fast SRAM ICs for the networking and telecommunications markets. We were founded in March 1995 to develop SRAMs targeted primarily at the personal computer, or PC, market. We shipped our first products in commercial volumes in fiscal 1998. During that year, we changed our focus from marketing commodity SRAMs in the highly competitive PC market and concentrated our efforts on the development of advanced Fast and Ultra-Fast SRAMs for the networking and telecommunications markets. Subsequent to fiscal 1998, product sales in these markets have represented approximately 80% to 90% of our net revenues. We are subject to the highly cyclical nature of the semiconductor industry which has experienced significant fluctuations, often in connection with fluctuations in demand for the products in which ICs are used. Beginning in fiscal 2001, the networking and telecommunications markets experienced an extended period of severe contraction. During this market contraction, our operating results sharply declined. In recent quarters, demand for networking and telecommunications equipment has accelerated and as a result, our operating results have improved.

Revenues. Our revenues are derived from sales of our Fast and Ultra-Fast SRAM products. As is typical in the semiconductor industry, the selling prices of our products generally decline over the life of the product. Our ability to increase net revenues, therefore, is dependent upon our ability to increase unit sales volumes of existing products and to introduce and sell new products with higher average selling prices in quantities sufficient to compensate for the anticipated declines in selling prices of our more mature products. Our ability to increase unit sales volumes is dependent primarily upon increases in customer demand but, particularly in periods of increasing demand, can also be affected by our ability to increase production through the availability of increased wafer fabrication capacity by our independent wafer foundries and our ability to increase the number of integrated circuit die produced from each wafer through die size reductions and yield enhancement activities.

We sell our products through our direct sales force, international and domestic sales representatives and distributors. Revenues from product sales are generally recognized upon shipment, net of sales returns and allowances. Sales to distributors that have product return or price protection rights are recorded as deferred revenues for financial reporting purposes and recognized as revenues when the products are sold by the distributors to the end-user.

Historically, a small number of customers have accounted for a substantial portion of our net revenues, and we expect that significant customer concentration will continue for the foreseeable future. Many of our end-users use contract manufacturers to manufacture their equipment. Accordingly, a significant percentage of our net revenues are derived from sales to these contract manufacturers and to consigned warehouses who purchase products from us for use by contract manufacturers. In addition, a significant portion of our sales are made to foreign and domestic distributors who resell our products to end-users, as well as their contract manufacturers. Direct sales to contract manufacturers and consigned warehouses accounted for 38.8%, 39.3% and 31.7% of our net revenues for fiscal 2004, 2003 and 2002, respectively. Sales to foreign and domestic distributors accounted for 46.7%, 40.0% and 40.1% of our net revenues for fiscal 2004, 2003 and 2002, respectively.

For the periods indicated below, the following direct customers accounted for 10% or more of our net revenues:

	Year Ended March 31,		
	2002	2003	2004
Contract Manufacturers:			
Celestica	—	21.5%	—
Flextronics	18.6%	—	—
Solectron	—	10.2	—
Consigned Warehouses:			
SMART Modular Technologies	—	—	27.1%
Distributors:			
Avnet Logistics	12.2	—	14.0
Impact	—	13.4	18.0

Based on information provided to us by contract manufacturers, consigned warehouses and distributors, purchases by Cisco Systems, the largest end-user of our products, represented approximately 25% to 30% of our net revenues in each of the past three fiscal years. Cisco Systems purchases our products directly, through our distributors and through its contract manufacturers and consigned warehouses.

A significant portion of our net revenues are derived from sales to customers located outside the United States. The percentage of our net revenues by country are set forth in the following table:

	Year Ended March 31,		
	2002	2003	2004
United States	64.4%	52.4%	45.3%
China	8.5	32.6	22.8
Malaysia	2.0	0.3	19.6
Rest of the world	25.1	14.7	12.3
Total	100.0%	100.0%	100.0%

We expect that as more of our OEM end-users move their operations overseas, particularly to China and elsewhere in the Pacific Rim, our net revenues derived from sales to customers located outside the United States will increase.

Cost of Revenues. Our cost of revenues consists primarily of wafer fabrication costs, wafer sort, assembly, test and burn-in expenses and the cost of materials and overhead from operations. Substantially all of our manufacturing operations are outsourced. Accordingly, most of our cost of revenues consists of payments to independent wafer foundries and contract assembly and test houses. Because we do not have long-term, fixed-price supply contracts, our wafer and other outsourced manufacturing costs are subject to the cyclical fluctuations in demand for semiconductors. As a result of the recent acceleration in demand for networking and telecommunications equipment, the related increase in demand for many of our lower density products, and our need to secure additional manufacturing capacity in an increasingly competitive market, we expect that our wafer fabrication costs will increase by approximately 10% for these lower density products over the next several quarters. Due to the strong demand for these products in the near term, we believe that we will be able to recover most, if not all, of these increased costs by increasing the selling prices of our products. Cost of revenues also includes expenses related to product engineering, supply chain management, quality

assurance, final product testing and documentation control activities conducted at our headquarters in Santa Clara, California and our branch operations in Taiwan.

A significant percentage of our Fast and Ultra-Fast SRAMs are manufactured by independent wafer foundries and subcontractors located in Taiwan. In the past we were subject to anti-dumping proceedings in which a competitor alleged that our Taiwan-manufactured products were being sold in the United States at less than their fair value. In April 1998, the United States Department of Commerce, or DOC, issued an anti-dumping order and imposed a duty of 12.1% of the value of our Taiwan-manufactured products imported for sale in the United States, retroactive to October 1997. The duty was subsequently increased to 51.3% on products imported for sale between October 1998 and March 1999. We continued to accrue duties at the rate of 51.3% on Taiwan-manufactured products imported for sale subsequent to March 1999. These duties were recorded as a cost of revenues as products subject to the duties were sold. In August 2000, the Court of International Trade issued a ruling that our Taiwan-manufactured products do not materially injure, or threaten to injure, the U.S. industry. In January 2002, the DOC revoked its anti-dumping order, retroactive to October 1997 and the United States Customs Service, or USCS, was ordered to refund, with interest, all duties deposited under the 1998 anti-dumping order. We had paid an aggregate of $3.9 million through the date of the refund order, of which $2.2 million had been charged to cost of revenues during the period from the 1998 anti-dumping order dated through March 31, 2001. The balance of the payments of $1.8 million were reclassified to a receivable from USCS on the date of the refund order. We received $3.5 million of refunds during the year ended March 31, 2002, of which $2.2 million was credited to cost of revenues, $396,000 was credited to interest income and $985,000 was credited to the receivable from USCS. We received $876,000 of refunds during fiscal 2003, of which $792,000 was credited to the receivable and $84,000 was credited to interest income.

Gross Profit. Our gross profit margins vary among our products and are generally higher on our higher density products and, within a particular density, higher on our higher speed and industrial temperature products. We expect that our overall gross margins will fluctuate from period to period as a result of shifts in product mix, changes in average selling prices and our ability to control our cost of revenues, including costs associated with outsourced wafer fabrication and product assembly and testing. Although we expect the average selling prices of our products to decline over time, we believe that, over the next several quarters, our average selling prices, particularly with respect to our lower density products for which demand in recent quarters has increased, may hold steady or rise. As noted above, we also believe that we will be able to offset anticipated increases in manufacturing costs over the next several quarters by increasing the selling prices of our products.

Research and Development. Research and development expenses consist primarily of salaries and related expenses for design engineers and other technical personnel, the cost of developing prototypes and fees paid to consultants. We charge all research and development expenses to operations as incurred. We believe that continued investment in research and development is critical to our long-term success, and we expect to continue to devote significant resources to product development activities. Accordingly, we expect that our research and development expenses will increase in future periods, although such expenses as a percentage of net revenues may fluctuate.

Selling, General and Administrative. Selling, general and administrative expenses consist primarily of commissions paid to independent sales representatives, salaries and related expenses for personnel engaged in sales, marketing, administrative, finance and human resources activities, professional fees, costs associated with the promotion of our products and other corporate expenses. We expect that our sales and marketing expenses will increase in future periods as we continue to grow and expand our sales force. We also expect that, in support of our continued growth and our operations as a public company, general and administrative expenses will continue to increase for the foreseeable future.

Stock-Based Compensation. In connection with the grant of stock options to employees between January 1997 and March 2004, we recorded deferred stock-based compensation of $349,000 in fiscal 2004, $678,000 in fiscal 2001, $3.9 million in fiscal 2000, $646,000 in fiscal 1999 and $416,000 in fiscal 1998, representing the difference between the deemed value of our common stock for accounting purposes and the option exercise price of these options at the date of grant. Deferred stock-based compensation is presented as a reduction of stockholder's equity, with straight-line amortization recorded over the vesting period that is typically four years. Amortization of deferred stock-based compensation is recorded as a charge against cost of revenues or operating expenses depending upon the classification of the employee receiving the underlying options. We amortized deferred stock-based compensation of $528,000 in fiscal 2004, $995,000 in fiscal 2003 and $1.4 million in fiscal 2002. The amount of the compensation expense to be recorded in future periods could decrease if options for which accrued but unvested compensation has been recorded are forfeited.

Provision for (Benefit from) Income Taxes. We have incurred operating losses in each of the fiscal years ended March 31, 2002, March 31, 2003 and March 31, 2004. Due to operating losses incurred in fiscal 2002 and fiscal 2003, we created a full valuation allowance in fiscal 2003 for deferred tax assets. This valuation allowance was based on our assessment of the uncertainty of the realizability of deferred tax assets which was due to our recent history of operating losses and our inability to conclude that it is more likely than not that sufficient taxable income would be generated in future periods to realize those deferred tax assets.

Results of Operations

The following table sets forth statement of operations data as a percentage of net revenues for the periods indicated:

	Year Ended March 31,		
	2002	2003	2004
Net revenues	100.0%	100.0%	100.0%
Cost of revenues	77.1	88.1	75.2
Gross profit	22.9	11.9	24.8
Operating expenses:			
Research and development	19.5	29.6	15.5
Selling, general and administrative	19.7	21.4	11.7
Total operating expenses	39.2	51.0	27.2
Loss from operations	(16.3)	(39.1)	(2.4)
Interest and other income (expense), net	3.2	0.7	0.5
Loss before income taxes	(13.1)	(38.4)	(1.9)
Provision for (benefit from) income taxes	(4.8)	(2.9)	—
Net loss	(8.3)	(35.5)	(1.9)

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2004

Net Revenues. Net revenues increased by 68.8% from $21.0 million in fiscal 2003 to $35.4 million in fiscal 2004. This increase was primarily due to a 61.1% increase in unit sales as a result of increased demand from our networking and telecommunications end-users. We believe that this end-

user demand increased as a result of a general improvement in the business environment and an increase in capital expenditures for networking and telecommunications equipment. We also believe that we increased our market share in fiscal 2004, particularly in the market for 9, 18 and 36 megabit SRAM products.

Cost of Revenues. Cost of revenues increased by 44.1% from $18.5 million in fiscal 2003 to $26.6 million in fiscal 2004. This increase was primarily due to the 61.1% increase in unit shipments, partially offset by various cost reduction measures. These cost reduction measures included the negotiation of price reductions for wafers purchased from our foundries, TSMC and WaferTech, and for assembly and test services provided by our contractors as well as enhancements to our internal test programs that resulted in more efficient test operations. In addition, we incurred a charge of approximately $700,000 in fiscal 2003 from the return of $2.8 million of product to TSMC, for which we received a credit of only $2.1 million.

Gross Profit. Gross profit increased by 251.4% from $2.5 million in fiscal 2003 to $8.8 million in fiscal 2004. Gross margin increased from 11.9% of net revenues in fiscal 2003 to 24.8% in fiscal 2004. This increase in gross margin was primarily related to a shift in product mix, with a greater proportion of revenues being generated by our higher margin, higher density products. The cost reduction measures described above also contributed to the improvement in gross margin.

Research and Development Expenses. Research and development expenses decreased by 11.4% from $6.2 million in fiscal 2003 to $5.5 million in fiscal 2004. This decrease was primarily due to a $423,000 reduction in legal expenses as a result of the settlement of patent litigation, a $265,000 reduction in prototype mask expenses and a $176,000 decrease in stock compensation expense. These reductions were partially offset by an increase in the number of our research and development personnel and increased expenditures for materials purchased for development projects currently in process.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by 7.7% from $4.5 million in fiscal 2003 to $4.2 million for fiscal 2004. This decrease was primarily related to reductions in payroll related expenses, stock compensation expenses and travel expenditures. The decrease was partially offset by an increase in commissions paid to manufacturers' representatives. Although total commissions increased due to the increase in net revenues, average commission rates decreased by approximately 35%.

Interest and Other Income (Expense), Net. Interest and other income increased from $144,000 in fiscal 2003 to $182,000 in fiscal 2004. Net interest earned on invested cash balances decreased from $139,000 to $58,000 due to a decrease in average cash balances and lower interest rates. This decrease in interest income was offset by an increase of $116,000 in foreign exchange gains related to our Taiwan branch operations.

Provision for (Benefit from) Income Taxes. The $620,000 benefit from income taxes in fiscal 2003 reflected a tax rate of 37.0% on our pre-tax losses offset by the full valuation allowance recorded in fiscal 2003 related to our deferred tax assets. There was no provision for income taxes in fiscal 2004 as a result of our pre-tax loss.

Net Income (Loss). Our net loss decreased by 91.0% from $7.4 million in fiscal 2003 to $670,000 in fiscal 2004. This decrease was primarily due to the increased gross profit resulting from increased revenues and our improved gross margin.

Fiscal Year Ended March 31, 2002 Compared to Fiscal Year Ended March 31, 2003

Net Revenues. Net revenues decreased by 15.3% from $24.8 million in fiscal 2002 to $21.0 million in fiscal 2003. This decrease primarily was the result of the downturn in the networking and telecommunications markets and the semiconductor industry generally and the excess supply of

ICs. Unit shipments did not change significantly from fiscal 2002 to fiscal 2003. Average selling prices dropped significantly in each fiscal year.

Cost of Revenues. Cost of revenues decreased 3.4% from $19.1 million in fiscal 2002 to $18.5 million in fiscal 2003. The percent decrease in cost of revenues was less than the 15.3% decrease in net revenue as a result of the significant decrease in average selling prices due to the downturn in the networking and telecommunications markets, the resulting excess supply of ICs in these markets, and our inability to reduce product costs as rapidly as average selling prices decreased. In addition, in fiscal 2003, we returned approximately $2.8 million of product to TSMC as a result of quality issues and received a credit of $2.1 million which resulted in a charge of approximately $700,000 to cost of revenues for manufacturing costs incurred in excess of the amount credited by TSMC. In fiscal 2002, we charged $3.9 million, or 15.7% of net revenues, to cost of revenues primarily because the cost of a portion of our inventory exceeded the anticipated selling price of the related products. We received $3.5 million of refunds for previously paid anti-dumping duties during fiscal 2002 of which $2.2 million was credited to cost of revenues.

Gross Profit. Gross profit decreased by 56.0% from $5.7 million in fiscal 2002 to $2.5 million in fiscal 2003. Gross margin decreased from 22.9% in fiscal 2002 to 11.9% in fiscal 2003.

Research and Development Expenses. Research and development expenses increased by 29.2% from $4.8 million in fiscal 2002 to $6.2 million in fiscal 2003. This increase was primarily related to a $450,000 increase in prototyping expenses and mask charges, a $343,000 increase in patent related legal expenses, a $271,000 increase in payroll related expenses, and a $143,000 increase in depreciation expense. Depreciation expense increased in fiscal 2003 primarily as a result of increased investment in research and development equipment to support our continued focus on new product development.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by 7.8% from $4.9 million in fiscal 2002 to $4.5 million in fiscal 2003. This decrease was primarily due to decreases in commissions paid to manufacturers' representatives as a result of decreased net revenues.

Interest and Other Income (Expense), Net. Interest and other income (expense), net decreased from $779,000 in fiscal 2002 to $144,000 in fiscal 2003. This decrease resulted from changes in the average cash balances, annual fees related to our line of credit and fluctuating foreign exchange rates that impacted our operations in Taiwan. Additionally, we recorded $396,000 of interest income in fiscal 2002 related to refunds of previously paid anti-dumping duties. Interest income related to refunds of previously paid anti-dumping duties was $84,000 in fiscal 2003.

Provision for (Benefit from) Income Taxes. The benefits from income taxes in fiscal 2002 and 2003 were $1.2 million and $620,000, respectively. During fiscal 2003, we created a full valuation allowance for deferred tax assets based on our assessment of the uncertainty of the realizability of deferred tax assets due to our recent history of operating losses and our inability to conclude that it is more probable than not that sufficient taxable income would be generated in future periods to realize the deferred tax assets. The annual effective tax rate differed from the statutory rate primarily due to state income taxes, valuation allowance and deferred compensation charges offset by research and development tax credits.

Net Loss. Net loss increased 259.5% from $2.1 million in fiscal 2002 to $7.4 million in fiscal 2003. This increase was primarily due to the decreases in net revenues and gross profit experienced in fiscal 2003.

Quarterly Results of Operations

The following tables present unaudited quarterly statement of operations data for the eight quarters ended March 31, 2004, and the data expressed as a percentage of net revenues. This information reflects all normal, recurring adjustments that we consider necessary for a fair presentation of such information in accordance with generally accepted accounting principles. The results for any quarter are not necessarily indicative of results that may be expected for any future period.

	Quarter Ended							
	June 30, 2002	Sept. 30, 2002	Dec. 31, 2002	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	Mar. 31, 2004
	(in thousands)							
Statements of Operations Data:								
Net revenues	$ 5,280	$ 5,959	$ 4,947	$ 4,795	$ 5,054	$ 8,209	$ 10,461	$ 11,695
Cost of revenues	4,510	4,908	4,450	4,609	4,297	6,640	7,360	8,322
Gross profit	770	1,051	497	186	757	1,569	3,101	3,373
Operating expenses:								
Research and development	1,520	2,011	1,266	1,409	1,408	1,651	1,183	1,258
Selling, general and administrative	1,220	1,086	1,084	1,110	992	1,016	1,084	1,060
Total operating expenses	2,740	3,097	2,350	2,519	2,400	2,667	2,267	2,318
Income (loss) from operations	(1,970)	(2,046)	(1,853)	(2,333)	(1,643)	(1,098)	834	1,055
Interest and other income (expense), net	63	(13)	50	44	93	36	6	47
Income (loss) before income taxes	(1,907)	(2,059)	(1,803)	(2,289)	(1,550)	(1,062)	840	1,102
Provision for (benefit from) income taxes	(706)	(762)	(667)	1,515	—	—	—	—
Net income (loss)	$ (1,201)	$ (1,297)	$ (1,136)	$ (3,804)	$ (1,550)	$ (1,062)	$ 840	$ 1,102
Net income (loss) per share:								
Basic	$ (0.24)	$ (0.25)	$ (0.21)	$ (0.69)	$ (0.28)	$ (0.19)	$ 0.15	$ 0.18
Diluted	$ (0.24)	$ (0.25)	$ (0.21)	$ (0.69)	$ (0.28)	$ (0.19)	$ 0.04	$ 0.05
Weighted average shares:								
Basic	4,922	5,218	5,452	5,506	5,520	5,520	5,602	5,990
Diluted	4,922	5,218	5,452	5,506	5,520	5,520	22,649	23,095

	Quarter Ended							
	June 30, 2002	Sept. 30, 2002	Dec. 31, 2002	Mar. 31, 2003	June 30, 2003	Sept. 30, 2003	Dec. 31, 2003	Mar. 31, 2004
As a Percentage of Net Revenues:								
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	85.4	82.4	90.0	96.1	85.0	80.9	70.4	71.2
Gross profit	14.6	17.6	10.0	3.9	15.0	19.1	29.6	28.8
Operating expenses:								
Research and development	28.8	33.7	25.6	29.4	27.9	20.1	11.3	10.8
Selling, general and administrative	23.1	18.2	21.9	23.2	19.6	12.4	10.4	9.0
Total operating expense	51.9	51.9	47.5	52.6	47.5	32.5	21.7	19.8
Income (loss) from operations	(37.3)	(34.3)	(37.5)	(48.7)	(32.5)	(13.4)	7.9	9.0
Interest and other income (expense), net	1.2	(0.3)	1.0	0.9	1.8	0.5	0.1	0.4
Income (loss) before income taxes	(36.1)	(34.6)	(36.5)	(47.8)	(30.7)	(12.9)	8.0	9.4
Provision for (benefit from) income taxes	(13.4)	(12.8)	(13.5)	31.5	—	—	—	—
Net income (loss)	(22.7)	(21.8)	(23.0)	(79.3)	(30.7)	(12.9)	8.0	9.4

Net Revenues. Net revenues were essentially flat for the five quarters ended June 30, 2003, and then grew to $8.2 million, $10.5 million and $11.7 million in the quarters ended September 30, 2003, December 31, 2003 and March 31, 2004, respectively, primarily due to increases in unit sales as a result of increased demand from our networking and telecommunications end-users, that were partially offset by declines in average selling prices.

We may experience a delay in generating or recognizing revenues for a number of reasons. Historically, orders on hand at the beginning of each quarter are insufficient to meet our revenue objectives for that quarter and are generally cancelable up to 30 days prior to scheduled delivery. Accordingly, we depend on obtaining and shipping orders in the same quarter to achieve our revenue objectives. In addition, the timing of product releases, purchase orders and product availability could result in significant product shipments at the end of a quarter. Failure to ship these products by the end of the quarter may adversely affect our operating results. Furthermore, our customer agreements typically provide that the customer may delay scheduled delivery dates and cancel orders within specified time frames without significant penalty.

Gross Profit. Gross profit margins fluctuated over the eight quarter period ended March 31, 2004. During the five quarters ended June 30, 2003, gross margins varied from 17.6% to 10.0%, with the exception of the quarter ended March 31, 2003 when the gross margin was 3.9%. During that quarter, we returned approximately $2.8 million of product to TSMC as a result of quality issues and received a credit of $2.1 million which resulted in a charge of approximately $700,000 to cost of revenues for manufacturing costs incurred in excess of the amount credited by TSMC. Additionally, we received a refund from TSMC in the December 2002 quarter in the amount of $286,000 for mask sets previously purchased.

Research and Development. Research and development expenses fluctuated from a low of $1.2 million in the quarter ended December 31, 2003 to a high of $2.0 million in the quarter ended September 30, 2002. In the quarter ended September 30, 2002, research and development expenses included mask costs totaling $651,000 related to our 0.13 micron geometry process technology with TSMC. In the quarter ended September 30, 2003, research and development expenses included mask costs totaling $386,000 for our OC-3 telecommunications IC under development by our design team in Norcross, Georgia. We typically charge mask costs to cost of revenues over a 12-month amortization period. However, where we purchase a mask set that we later conclude will not result in a production worthy product and significant future revenue, we charge those mask costs to research and development expenses.

Selling, General and Administrative. Selling, general and administrative expenses varied from a low of $1.0 million in the quarter ended June 30, 2003 to a high of $1.2 million in the quarter ended June 30, 2002. Expenses vary on a quarterly basis as a result of the timing of expenditures for advertising and travel related expenses, in addition to employee turnover and commission payments to manufacturers' representatives that vary with changes in our net revenues.

Most of our expenses, such as employee compensation and lease payments for facilities, are relatively fixed in the near term. In addition, our expense levels are based in part on our expectations regarding future revenues. As a result, any shortfall in revenues relative to our expectations could cause significant changes in our operating results from quarter to quarter. Our quarterly and annual operating results have fluctuated in the past and are likely to fluctuate significantly in the future due to a variety of factors, including:

- the volume and timing of orders received from customers;
- the timing of releases of new products by us and our competitors;
- fluctuations in yields at the independent wafer foundries that manufacture our products;

- the long sales cycles for our Fast and Ultra-Fast SRAMs;
- availability of SRAM products in the market;
- our ability to anticipate changing end-user product requirements for the networking and telecommunications markets;
- change in demand for our products;
- the continued development of our direct and indirect distribution channels;
- availability in foundry, assembly or test capacity;
- changes in average selling prices of our products;
- changes in our product mix, which could reduce our gross margins;
- cancellation of existing orders or the failure to secure new orders; and
- increased expenses associated with our new product design and development.

The occurrence of one or more of these factors might cause our operating results to vary widely. As such, we believe that period-to-period comparisons of our revenues and operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Liquidity and Capital Resources

Since our inception, we have used proceeds from the private sale of equity securities, bank borrowings and cash generated by operating activities to support our operations, acquire capital equipment and finance accounts receivable and inventory growth. We have raised a total of $9.4 million from the private sale of equity securities.

As of March 31, 2004, our principal sources of liquidity were $3.5 million in cash and cash equivalents, and our $4.0 million line of credit with Chiao Tung Bank. Borrowing under our credit line is limited to $1.0 million plus 70.0% of eligible United States accounts receivable balances and 35.0% of finished goods inventory with a sublimit of $500,000 for inventory. Borrowings under the line of credit are collateralized by accounts receivable, inventory and a $1.0 million time certificate of deposit. Borrowings under the line of credit bear interest at the bank's prime rate for the first $1.0 million and at the bank's prime rate plus 1.0% for amounts exceeding $1.0 million. The bank's prime rate was 4.0% as of March 31, 2004. The terms of the line of credit include various covenants that require us to maintain a working capital ratio, a minimum tangible net worth and a debt to net worth ratio. The line of credit expires in May 2005. Although we currently intend to renew the line of credit before it expires in 2005, we do not believe its expiration would have a significant impact on our liquidity or capital resources.

Net cash flow from operating activities represented a source of $189,000 in cash in fiscal 2002 and a use of $1.3 million and $2.2 million in cash in fiscal 2003 and 2004, respectively. Principal uses of cash in fiscal 2002 were our loss of $2.1 million, accounts payable of $11.6 million, accrued expenses and other liabilities of $2.9 million and deferred revenue of $2.3 million. Accounts payable in fiscal 2002 decreased compared to fiscal 2001 as we paid for inventory, primarily wafers from TSMC and WaferTech, acquired at the end of fiscal 2001. Accrued expenses and other liabilities decreased from fiscal 2001 to fiscal 2002 as a result of payments for income tax liabilities and manufacturers' representatives commissions outstanding at year end. Deferred revenue decreased as our distributors reduced inventory levels due to reduced sales levels caused by the downturn in the networking and telecommunications markets. These fiscal 2002 cash uses were offset primarily by $6.2 million of decreased accounts receivable, $6.9 million of decreased inventory and $3.9 million of inventory provisions. Each of these sources of cash was a result of the decrease in net revenue levels for fiscal

2002. The primary use of cash in fiscal 2003 was our net loss of $7.4 million. This use of cash was primarily offset by $5.2 million from inventory, as we continued to fulfill orders from inventory on hand, and $2.5 million from deferred income taxes. Primary uses of cash during fiscal 2004, were our net loss of $670,000, increases in inventory of $8.1 million, as we purchased wafers to meet the increasing demand for our products, and $5.1 million from an increase in accounts receivable resulting from the increased net revenues in the quarter ended March 31, 2004. These uses were primarily offset by an increase of $3.6 million in accounts payable, resulting from the increased inventory level, and an increase of $2.0 million for accrued expenses and other liabilities and a decrease of $1.8 million in prepaid expenses and other current assets caused by our receipt of a refund for income taxes previously paid.

Net cash used in investing activities was $388,000 in fiscal 2002, $2.0 million in fiscal 2003 and $481,000 in fiscal 2004. Net cash used in investing activities during each year consisted primarily of purchases of test equipment.

Net cash provided by financing activities was $55,000 in fiscal 2002, $76,000 in fiscal 2003 and $65,000 in fiscal 2004. Net cash provided by financing activities during each year consisted of the net proceeds from the sale of common stock.

We had no material commitments for capital expenditures at March 31, 2004, but we expect such expenditures to total approximately $2.0 million in fiscal 2005. These expenditures will primarily be for test equipment. We also have total minimum lease obligations of approximately $2.1 million from April 1, 2004 through May 31, 2010, under non-cancelable operating leases.

We believe that our existing balances of cash and cash equivalents, our available credit facilities and cash flow expected to be generated from our future operations will be sufficient to meet our cash needs for working capital and capital expenditures for at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time. Our future capital requirements will depend on many factors, including the rate of revenue growth that we experience, the extent to which we utilize subcontractors, the levels of inventory and accounts receivable that we maintain, the timing and extent of spending to support our product development efforts and the expansion of our sales and marketing efforts. Additional capital may also be required for the consummation of any acquisition of businesses, products or technologies that we may undertake. We cannot assure you that additional equity or debt financing, if required, will be available on terms that are acceptable or at all.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table describes our commitments to settle contractual obligations in cash as of March 31, 2004, plus obligations under (i) our facility lease which was extended in May 2004 and (ii) an operating lease for test equipment entered into in April 2004.

	Payments due by period				
Contractual Obligations	**Up to 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Operating leases	$ 721,000	$ 520,000	$ 539,000	$ 329,000	$ 2,109,000

In addition, we had inventory and mask purchase commitments of approximately $11.6 million as of March 31, 2004. These commitments are anticipated to be fulfilled in fiscal 2005.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments and estimates that affect the amounts that we report in our financial statements and accompanying notes.

We believe that we consistently apply these judgments and estimates and that our financial statements and accompanying notes fairly represent all periods presented. However, any errors in these judgments and estimates may have a material impact on our balance sheet and statement of operations. Critical accounting estimates, as defined by the Securities and Exchange Commission, are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult and subjective judgments and estimates of matters that are inherently uncertain. Our critical accounting estimates include those regarding revenue recognition, the valuation of inventories and taxes.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured. Under these criteria, revenue from the sale of our products is recognized upon shipment according to our shipping terms, net of accruals for estimated sales returns and allowances based on historical experience. Sales to distributors are made under agreements allowing for returns or credits under certain circumstances. We defer recognition of revenue on sales to distributors until products are resold by the distributor to the end-user.

Our accurate revenue reporting is dependent on receiving pertinent and accurate data from our distributors in a timely fashion. Distributors provide us monthly data regarding the product, price, quantity, and end customer for their shipments as well as the quantities of our products they have in stock at month end. In determining the appropriate amount of revenue to recognize, we use this data in reconciling differences between their reported inventories and activities. If distributors incorrectly report their inventories or activities, it could lead to inaccurate reporting of our revenues and income.

Valuation of Inventories. Inventories are stated at the lower of cost or market, cost being determined on a weighted average basis. Our inventory reserves are established when conditions indicate that the selling price of our products could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. We establish reserves for excess inventory generally based on inventory levels in excess of 12 months of demand, in our judgment, for each specific product. Inventory consists of finished goods, work in progress and goods at distributors. Historically, it has been difficult to forecast customer demand especially at the part-number level. Many of the orders we receive from our customers and distributors request delivery of product on relatively short notice and with lead times less than our manufacturing cycle time. In order to provide competitive delivery times to our customers, we build and stock a certain amount of inventory in anticipation of customer demand that may not materialize. Moreover, as is common in the semiconductor industry, we may allow customers to cancel orders with minimal advance notice. Thus, even product built to satisfy specific customer orders may not ultimately be required to fulfill customer demand. Nevertheless, at any point in time, some portion of our inventory is subject to the risk of being materially in excess of our projected demand. In fiscal 2002, as a result of a large decline in average selling price, we determined that a significant portion of our inventory was valued in excess of the price at which we could sell the product and recorded an inventory provision of $3.9 million. While we endeavor to accurately predict demand and stock commensurate inventory levels, we may record unanticipated material inventory write-downs in the future.

Taxes. We make certain estimates and judgments in the calculation of tax liabilities and the determination of deferred tax assets, which arise from temporary differences between tax and financial statement recognition methods. We record a valuation allowance to reduce our deferred tax assets to the amount that management estimates is more likely than not to be realized. If in the future we determine that we are not likely to realize all or part of our net deferred tax assets, an adjustment to deferred tax assets would be charged to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves inherent uncertainty in the application of complex tax laws. We record tax reserves for additional taxes that we estimate we may be required to

pay as a result of future potential examinations by federal and state taxing authorities. If the payment ultimately proves to be unnecessary, the reversal of these tax reserves would result in tax benefits being recognized in the period we determine such reserves are no longer necessary. If an ultimate tax assessment exceeds our estimate of tax liabilities, an additional charge to expense will result.

Quantitative and Qualitative Disclosure Regarding Market Risk

Foreign Currency Exchange Risk. Our revenues and our expenses, except those expenses related to our operations in Taiwan, including subcontractor manufacturing expenses, are denominated in U.S. dollars. As a result, we have relatively little exposure for currency exchange risks and foreign exchange losses have been minimal to date. We do not currently enter into forward exchange contracts to hedge exposure denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. In the future, if we feel our foreign currency exposure has increased, we may consider entering into hedging transactions to help mitigate that risk.

Interest Rate Sensitivity. We had unrestricted cash and cash equivalents totaling $3.5 million at March 31, 2004 and $6.1 million at March 31, 2003. These amounts were invested primarily in money market funds. The unrestricted cash, cash equivalents and short-term marketable securities are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income.

Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force, or EITF, reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We believe that the adoption of this standard will not have a material impact on our financial statements.

In November 2002, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a reconciliation of changes in the entity's product warranty liabilities. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements of FIN 45 are effective for annual financial statements ending after December 15, 2002. Significant guarantees that we have entered into are disclosed in "Note 6—Commitments and Contingencies" to our financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure," or SFAS 148. SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements of SFAS 148 are effective for fiscal years ended after December 15, 2002. We have adopted the disclosure requirements of SFAS 148 as of March 31, 2003.

FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," or FIN 46, was issued in January 2003. FIN 46 requires that if an entity is the primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity should be included in the financial statements of the entity. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. We have not invested in any variable interest entities prior to or after January 31, 2003 and as such, no impact to our financial statements is expected.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," or SFAS 150. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and further requires that an issuer classify as a liability (or an asset in some circumstances) financial instruments that fall within its scope because that financial instrument embodies an obligation of the issuer. Many such instruments were previously classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. For mandatorily redeemable financial instruments of a nonpublic entity, this statement is effective for existing or new contracts for fiscal periods beginning after December 15, 2003. SFAS 150 is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance of the date of this statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The adoption of this statement did not have a material impact on our financial statements.

BUSINESS

Overview

We design, develop and market high performance SRAM, or static random access memory, integrated circuits, or ICs, for the networking and telecommunications markets. We are a leading provider of Fast SRAM products, which perform at higher speeds and provide greater density than commodity SRAM products used in other applications. Within the Fast SRAM market, we focus on higher speed devices, which we refer to as Ultra-Fast SRAMs. We provide a broad range of advanced, highly reliable Fast and Ultra-Fast SRAM solutions that target high performance equipment, such as routers, switches, wireless local area network infrastructure equipment, wireless basestations and network access equipment. We believe our advanced circuit design expertise provides original equipment manufacturers, or OEMs, with early access to next generation technologies, superior performance, advanced feature sets and high reliability, thereby enabling them to bring networking and telecommunications equipment to market quickly.

We work closely with leading networking and telecommunications OEMs to better anticipate their needs and gain insight into future technology requirements. Our products are used by leading OEMs in the networking and telecommunications markets, including Agilent Technologies, Alcatel, Cisco Systems, Huawei Technologies, Lucent Technologies and QLogic. We utilize a fabless business model which allows us to focus our resources on research and development, product design and marketing, while gaining access to advanced process technologies without significant capital investments and the related fixed costs.

Industry Background

SRAM Market Overview

Virtually all electronic systems, from advanced networking equipment such as sophisticated routers and switches to consumer electronic products such as digital cameras and personal digital assistants, or PDAs, incorporate SRAMs. An SRAM is a memory IC that is used to temporarily store data not currently being processed, and provides much faster memory access time than other types of memory. For example, SRAM ICs are typically up to five times faster than DRAM, or dynamic random access memory, ICs. According to Gartner Dataquest, the SRAM market was forecasted to be $3.1 billion in 2003 and is projected to be $4.4 billion in 2007. This growth represents a compound annual growth rate of 9.1%.

There are a broad variety of SRAM ICs, characterized by a number of attributes, such as speed, memory capacity or density, and power consumption. A significant portion of the SRAM IC market consists of SRAMs with minimal speed requirements and a limited number of standard SRAM configurations. These commodity SRAMs are incorporated in devices such as cell phones, PDAs and MP3 players. For these markets, SRAM providers have focused primarily on reducing costs and gaining economies of scale by high-volume manufacturing, rather than on providing a significant degree of differentiation through advanced speed, density or power consumption characteristics.

Trend Towards Fast and Ultra-Fast SRAM Solutions

Growth in data, voice and video traffic has driven the need for greater networking bandwidth, resulting in the continued build-out of the networking and telecommunications infrastructure. According to International Data Corporation, total worldwide Internet traffic is expected to grow from 405 petabits per day in 2003 to 5,174 petabits per day in 2007. This growth has led to the proliferation of a wide variety of equipment throughout the networking and telecommunications infrastructure. This equipment includes routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment. All of these products require Fast and Ultra-Fast SRAM

ICs, and OEMs are increasingly relying upon advanced SRAM technology to enable higher performance of their products. For example, in a typical router or switch, multiple high-speed SRAM ICs are required to temporarily store, or buffer, data traffic and to provide rapid lookup of information in data tables. Fast SRAM ICs are SRAM ICs that require less than 20 nanoseconds to retrieve data from memory. According to Gartner Dataquest, the Fast SRAM market is expected to increase from 43.8% of the overall SRAM market in 2003 to 58.3% of the overall SRAM market in 2007. During the same period, the Fast SRAM market is expected to grow at a 16.8% compound annual growth rate.

As networking equipment must increasingly support advanced traffic content such as Voice over Internet Protocol, or VoIP, and video streaming, networking and telecommunications OEMs are driving demand for even higher performance SRAM ICs, known as Ultra-Fast SRAMs. We define Ultra-Fast SRAMs as those Fast SRAM ICs that require less than 5 nanoseconds to retrieve data from memory. There are relatively few providers of Ultra-Fast SRAM ICs due to the high performance requirements of these ICs.

Networking and telecommunications OEMs are also under increasing pressure to bring higher performance products to market rapidly to support more advanced traffic content. In response to these pressures, OEMs have increasingly relied on IC providers that are capable of rapidly developing and introducing advanced Fast and Ultra-Fast SRAM ICs. We believe that OEMs also prefer to work with suppliers that offer a broad range of Fast and Ultra-Fast SRAM ICs that incorporate advanced feature sets that can be used to provide solutions across their product suite.

The GSI Solution

We are a leading provider of Fast SRAM solutions, focusing on Ultra-Fast SRAMs, targeting the networking and telecommunications markets. We provide a broad range of high performance, highly reliable solutions that are used in a variety of networking equipment, including routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment. Key elements of our solution are:

Innovative Design Architecture and Technology Leadership

High Speed Solutions. Through the use of advanced architectures and design methodologies, we have developed Fast and Ultra-Fast SRAM ICs. The majority of these solutions have access speeds of less than 5 nanoseconds. By providing faster ICs, we enable our customers to design and develop higher performance products that support increasingly complex traffic content.

Low Power Consumption. Our products consume up to 50% less power than comparable products offered by our principal competitors. As a result, our products generate less heat, increasing the reliability of the networking equipment in which they are used. Furthermore, because of the low power requirements of our products, OEMs are able to add capabilities to their systems which otherwise might not have been possible due to overall system power constraints.

Single Die Solution. Our designs enable multiple product families to be manufactured from a single die. This flexibility allows us to minimize manufacturing time and respond quickly to the shipment requirements that are characteristic of the networking and telecommunications markets. Our flexible product designs also allow OEMs to reduce their cost and time-to-market by evaluating and qualifying one product configuration, enabling them to more easily qualify related products within the same product family. Additionally, our single die solution allows us to reduce our costs through better inventory management, the purchase of fewer mask sets, streamlining internal product qualifications and more efficient use of engineering resources.

Product Innovation. We believe we have established a position as a technology leader in the design and development of Fast and Ultra-Fast SRAM ICs. For example, we were the first supplier to

introduce 72 bit wide SRAMs as single monolithic ICs. In addition, we were first to market with our SigmaRAM ICs which are characterized by very fast access times, low power and high density and whose architecture has become an industry standard among networking and telecommunications OEMs. Additionally, we believe both our Fast and Ultra-Fast SRAM solutions consistently provide the highest speed available for a given density.

Process Technology Leadership. We work with leading independent wafer foundries to manufacture our products in order to increase yields, lower manufacturing costs and improve the quality of our products. Many of our products are implemented using 0.15 micron geometry process technology from TSMC. Our most advanced Ultra-Fast SRAM ICs are designed using 0.13 micron geometry process technology, and we are currently developing 72 megabit synchronous ICs using 90 nanometer geometry process technology, which will allow us to further increase IC performance, lower power consumption and reduce costs.

Comprehensive Fast and Ultra-Fast SRAM Solutions

Broad Product Offering. We currently offer 30 basic product configurations, which are the basis for over 2,500 individual products. Our product line includes a wide range of high performance, low power Fast and Ultra-Fast SRAMs designed specifically for the networking and telecommunications markets such as high-speed synchronous SRAM (BurstRAM and NBT SRAM) ICs, high-speed asynchronous SRAM ICs, and SigmaRAM / SigmaQuad devices. Our broad product offering enables us to leverage our research and development to design and develop our product lines to meet the precise and changing requirements of our customers.

Advanced Feature Sets. Our products offer features that address a broad range of our networking and telecommunications OEMs' system requirements. These proprietary features include a JTAG test port, named for the IEEE Joint Test Action Group, which enables post assembly verification of the connection between our ICs and the system board, thereby allowing our customers to more rapidly develop, test and ship their products. Additionally, we offer our FLXDrive feature which allows system designers to optimize signal performance for a given requirement. We provide OEMs the ability to use our ICs in various modes of operation in one IC using our flexible pin out structure, thus increasing product flexibility and availability. Overall, we believe our advanced feature sets enable our end-users to achieve faster time-to-market and reduce their costs and inventory requirements.

Industrial Temperature. The ability to operate at industrial temperatures, while less important for commodity SRAMs, is critical for Fast and Ultra-Fast SRAMs used in broad variety of networking and telecommunications applications under varying operating conditions. All of our products are designed to meet industrial temperature specifications, enabling them to operate at temperatures ranging from -40°C to +85°C.

Customer Responsiveness

Customer Driven Solutions. We work closely with leading networking and telecommunications OEMs to better anticipate their requirements and rapidly develop and implement solutions that allow them to meet their product performance objectives. For example, our JTAG test port, which is now an option on all of our recently introduced synchronous SRAM products, was initially developed at the request of one of our major end-users. In addition, in response to feedback from a number of our end-users, we developed a new SRAM architecture, SigmaRAM, to address their speed, power and cost requirements.

Accelerate End-Users' Time-to-Market. Our design expertise and flexibility, reusable intellectual property and flexible manufacturing capabilities enable networking and telecommunication OEMs to create differentiated products quickly and reduce their product design cycles and development costs.

For example, anticipating the needs of our end-users, we were first to market a 72 bit wide SRAM which we believe enabled our OEM customers to accelerate their introduction of next generation products.

Quality and Reliability. Networking and telecommunications equipment typically have long product lives. Generally, the cost to replace this equipment due to product failure is prohibitively expensive. Thus, high quality and reliability of Fast and Ultra-Fast SRAM ICs incorporated in our end-users' products is critical. We comprehensively test all of our products at a wide range of extreme hot and cold temperatures, in addition to performing burn-in, to help assure high levels of quality and reliability.

The GSI Strategy

Our objective is to become the leading provider of Fast and Ultra-Fast SRAMs. Our strategy includes the following key elements:

Continue to Focus on the Networking and Telecommunications Markets. We intend to continue to focus on designing and developing high performance Fast and Ultra-Fast SRAM ICs targeted at the networking and telecommunications markets. Increasing network complexity due to more advanced traffic content continues to drive OEMs' demand for high performance Fast and Ultra-Fast SRAM ICs. We believe our advanced circuit design expertise provides networking and telecommunications OEMs with early access to next generation technologies, superior performance, advanced feature sets and high reliability, thereby enabling them to design and develop higher performance products that support increasingly complex traffic content and bring networking and telecommunications equipment to market quickly.

Collaborate with Wafer Foundries to Leverage Leading-Edge Process Technologies. We believe that advanced complementary metal oxide semiconductor, or CMOS, technologies, the most commonly used process technologies for manufacturing semiconductor devices, are important to future advances in Fast and Ultra-Fast SRAM ICs. Our most advanced Ultra-Fast SRAM ICs are designed using 90 nanometer geometry process technologies and 300 millimeter wafers to deliver higher performance and lower costs for our end-users. We intend to continue to collaborate closely with wafer foundries to leverage leading-edge process technologies which we believe will provide us with cost and other competitive advantages.

Continue to Invest in Research and Development to Extend Our Technology Leadership. We believe we have established a position as a technology leader in the design and development of Fast and Ultra-Fast SRAM ICs. For example, we designed and were the first to provide SigmaRAM, which at the time of introduction provided the highest data rate available for the networking and telecommunications markets. Additionally, we believe our Fast and Ultra-Fast SRAM solutions consistently provide the highest speed for a given density. The increasing bandwidth requirements of networking and telecommunications equipment require Fast and Ultra-Fast SRAM ICs with increased speed, lower power consumption and increased functionality. We intend to maintain and advance our technology leadership through continual enhancement of our existing Fast and Ultra-Fast SRAM products and introduction of new products.

Focus on Industry-Leading OEMs. Many of the end-users of our products are industry-leading networking and telecommunications OEMs. We are focused on developing close relationships with industry leaders to facilitate rapid adoption of our products and to maintain our position as a leading provider of high performance Fast and Ultra-Fast SRAMs. We work with our end-users at the pre-design and design stage to identify and respond to their requests for current and future generations of products. We plan to enhance our relationships with leading OEMs and identify opportunities to develop similar relationships with additional networking and telecommunications OEMs.

Leverage Our Core Strengths to Develop Other Product Lines. We intend to leverage our advanced design capabilities and innovative design architecture in Fast and Ultra-Fast SRAMs to develop new product lines in the networking and telecommunications markets. For example, we are developing a channelized OC-3 processor that incorporates 16 megabits of SRAM. OC-3 is the industry standard for optical transmission at rates of 155 megabits per second, and is typically used at the access switching point of the network. When completed, we believe this will be the first low-power, single IC solution capable of simultaneously processing multiple types of traffic with OC-3 bandwidth.

Products

We design, develop and market a broad range of high performance SRAMs for the networking and telecommunications markets. We specialize in Fast and Ultra-Fast SRAMs with high density and low power consumption. We currently offer 30 basic product configurations of our Fast and Ultra-Fast SRAMs based on their basic product type and their storage densities. These product configurations are as follows:

Synchronous Burst

72Mb	9Mb
36Mb	4Mb
18Mb	2Mb

Synchronous NBT (Z)

72Mb	9Mb
36Mb	4Mb
18Mb	

Register-to-Register Late Write

18Mb

High Speed Asynchronous

8Mb	2Mb
6Mb	1.5Mb
4Mb	1Mb
3Mb	256Kb

SigmaRAM

Late Write

18Mb	36Mb

Double Late Write

18Mb	36Mb

Double Data Rate (DD)

18Mb

SigmaQuad and SigmaQuad-II

18Mb	36Mb

SigmaCIO DDR-II

36Mb

SigmaSIO DDR-II

18Mb	36Mb

The foregoing product configurations are the basis for over 2,500 individual products that incorporate a variety of performance specifications and optional features. Our products are used in networking and telecommunications equipment, including routers, switches, wireless local area network infrastructure

equipment, wireless base stations and network access equipment.

Synchronous SRAM Products

Synchronous SRAMs are controlled by timing signals, referred to as clocks, which enable them to transfer data at speeds that are generally faster than asynchronous SRAMs. Our synchronous SRAMs feature clock access speeds as fast as 2 nanoseconds, and cycle at operating frequencies of 333 megahertz, or MHz. We currently offer BurstRAM and no-bus turnaround, or NBT, varieties of

synchronous SRAMs. BurstRAMs are used in applications where large amounts of data are read or written in single sessions, or bursts, while NBT SRAMs facilitate alternate read and write traffic without delay cycles. The burst protocol is programmable in linear or interleaved addressing modes which makes the faster burst SRAMs suitable for cache memory applications, while the NBT protocol is critical for processing high speed data streams.

Most of our synchronous SRAM products are offered in both pipeline and flow through modes. Flow through SRAMs allow the shortest read latency, which is the delay from the beginning of a read command until valid data out is delivered. Pipelined SRAMs break the access into discrete clock-controlled steps, allowing new access commands to be accepted while an access is already in progress. Therefore, while flow through SRAMs offer lower latency, pipelined SRAMs offer greater data bandwidth.

Burst and NBT SRAMs. Our BurstRAM and NBT SRAM products incorporate a number of features that reduce our end-users' cost of ownership and increase their design flexibility. These proprietary features include a JTAG test port, named for the IEEE Joint Test Action Group, which enables post assembly verification of the connection between our ICs and the system board, thereby allowing our customers to more rapidly develop, test and ship their products. Additionally, we offer our FLXDrive feature which allows system designers to optimize signal performance for a given requirement.

We currently offer BurstRAMs and NBT SRAMs with storage densities of up to 72 megabits with cycle rates of up to 333 MHz and clock access times as fast as 2 nanoseconds that operate at 3.3, 2.5 or 1.8 volts.

SigmaRAM Products. We offer a family of synchronous SRAM products based on our SigmaRAM architecture which are designed for use on large format printed circuit boards common in many networking and telecommunication equipment. These ICs utilize a unique architecture that provides the capability to incorporate the full range of popular SRAM functionality, including burst, NBT, and double data rate in common input/output, or I/O format. Our SigmaRAM products are characterized by very fast access time, high cycle rates, low power and high density. To meet the demands of high performance equipment, the IC must execute fast, random, multiple reads and change from reads to writes in one clock cycle.

We currently offer SigmaRAM products with a variety of storage densities from 18 to 36 megabits and speeds of up to 333 MHz and clock access times as fast as 2 nanoseconds that operate at 1.8 volts.

SigmaQuad Products. We have introduced a new family of synchronous SRAMs, the SigmaQuad family, which includes SigmaQuad, SigmaQuad-II, SigmaCIO DDR-II and SigmaSIO DDR-II. This product family is currently in the product sampling stage. This family features a separate I/O which enables reads and writes in the same clock cycle, resulting in significantly higher output. We expect to begin shipment of our SigmaQuad products in fiscal 2005.

Asynchronous SRAM Products

Unlike synchronous SRAMs, asynchronous SRAMs employ a clock-free control interface. They are widely used in support of high-end digital signal processors, or DSPs. We believe we have one of the broadest portfolios of 3.3 volt, high speed asynchronous SRAMs. These products are designed to meet the stringent power and performance requirements of networking and telecommunications applications, such as VoIP, cellular base stations, DSL line cards and modems.

We currently offer asynchronous SRAM products with a variety of storage densities between 256 kilobits and 8 megabits and access times ranging from 7 to 12 nanoseconds. All of our asynchronous SRAMs operate at 3.3 volts.

Customers

Our sales and marketing strategy is to achieve design wins with end-users of our products, who are leading networking and telecommunications companies that incorporate our Fast and Ultra-Fast SRAM ICs into their networking equipment. Our Fast and Ultra-Fast SRAM products are used in networking and telecommunications equipment such as routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment. The following is a representative list of our end-users who have directly or indirectly purchased more than $350,000 of our products since April 1, 2003:

Agilent Technologies
Alcatel
Avaya
Cisco Systems
DLink Systems
Huawei Technologies
Lucent Technologies
Marconi
Nortel Networks
Terayon Communications Systems
ZTE Corporation

Many of our end-users use contract manufacturers to manufacture their equipment. Accordingly, a significant percentage of our net revenues are derived from direct sales to contract manufacturers and to consigned warehouses who purchase products from us for use by contract manufacturers. In addition, we use foreign and domestic distributors to sell our products to networking and telecommunications end-users, as well as their contract manufacturers.

Direct sales to contract manufacturers and consigned warehouses accounted for 38.8%, 39.3% and 31.7% of our net revenues for fiscal 2004, 2003 and 2002, respectively. Sales to foreign and domestic distributors accounted for 46.7%, 40.0% and 40.1% of our net revenues for fiscal 2004, 2003 and 2002, respectively.

For the periods indicated below, the following direct customers accounted for 10% or more of our net revenues:

	Year Ended March 31,		
	2002	2003	2004
Contract Manufacturers:			
Celestica	—	21.5%	—
Flextronics	18.6%	—	—
Solectron	—	10.2	—
Consigned Warehouses:			
SMART Modular Technologies	—	—	27.1%
Distributors:			
Avnet Logistics	12.2	—	14.0
Impact	—	13.4	18.0

Based on information provided to us by contract manufacturers consigned warehouses and distributors, purchases by Cisco Systems, the largest end-user of our products, represented approximately 25% to 30% of our net revenues in each of the past three fiscal years. Cisco Systems

purchases our products directly, through our distributors and through its contract manufacturers and consigned warehouses.

Sales, Marketing and Technical Support

We sell our products primarily through our worldwide network of independent sales representatives and distributors. As of April 1, 2004, we employed 16 sales and marketing personnel, and used over 200 independent sales representatives. We intend to expand our direct sales and technical support organization as well as our independent sales representatives and distributor channels to better serve our end-users. We currently have regional sales offices located in Canada, China, Italy and the United States. We believe this international coverage allows us to better serve our distributors and end-users by providing them with coordinated support. We believe that our customers' purchasing decisions are based primarily on time-to-market, product features, product reliability, performance, manufacturing flexibility, service and cost. Many of our end-users have had long-term relationships with us based on our success in meeting these criteria.

Our sales are generally made pursuant to purchase orders received between one and six months prior to the scheduled delivery date. We typically provide a warranty of up to 36 months on our products. Liability for a stated warranty period is usually limited to replacement of defective products.

Our marketing efforts are focused on increasing brand name awareness and providing solutions that address our customers' needs. Key components of our marketing efforts include maintaining an active role in industry standards committees, such as the JEDEC Solid State Technology Association (formerly the Joint Electron Device Engineering Council), or JEDEC, which is responsible for establishing detailed specifications which can be utilized in future system designs. We believe that our participation in and sponsorship of numerous proposals within these committees such as NBT, JTAG and SigmaRAM, have increased our profile among leading manufacturers in the networking and telecommunications segment of the SRAM market. Our marketing group also provides technical, strategic and tactical sales support to our direct sales personnel, sales representatives and distributors. This support includes in-depth product presentations, datasheets, application notes, software models, sales tools, pricing, marketing communications, marketing research, trademark administration and other support functions.

We emphasize customer service and technical support in an effort to provide our end-users with the knowledge and resources necessary to successfully use our products in their designs. Our customer service uses a technical team of applications engineers, technical marketing personnel and, when required, product design engineers. We provide customer support throughout the qualification and sales process and continue providing follow-up service after the sale of our products and on an ongoing basis. In addition, we provide our end-users with comprehensive data sheets, application notes and reference designs.

Our sales are made primarily pursuant to standard purchase orders. Because industry practice allows customers to reschedule or cancel orders on relatively short notice, these orders are not firm and hence we believe that backlog is not a good indicator of our future sales.

Manufacturing

We outsource our wafer fabrication to independent foundries, and we outsource our assembly and most of our testing to subcontractors, which enables us to focus on our design strengths, minimize fixed costs and capital expenditures and gain access to advanced manufacturing technologies. Our engineers work closely with our foundries and subcontractors to increase yields, lower manufacturing costs, and help assure the quality of our products.

Currently, all of our wafers are manufactured by TSMC and WaferTech. WaferTech is a subsidiary of TSMC. These foundries also fabricate products for other companies. We purchase products from our foundries under individually negotiated purchase orders. We do not currently have a long-term supply contract with TSMC or WaferTech, and therefore neither TSMC or WaferTech is obligated to manufacture products for us for any specified period, in any specified quantity or at any specified price, except as may be provided in a particular purchase order. Our future success depends in part on our ability to secure sufficient capacity at our independent foundries to supply us with the wafers we require.

Most of our products are implemented using 0.15 micron and 0.25 micron geometry process technologies from TSMC that were refined and enhanced with our assistance to provide the stability and performance needed to allow us to offer all of our products in both commercial and industrial temperature versions. We have also worked with TSMC to migrate several of our high volume products to a 0.13 micron geometry process technology which has allowed us to further increase device performance, lower power consumption and reduce costs. We currently have four separate product families on this process. In addition, we are currently developing the 72 megabit synchronous BurstRAM and NBT SRAM products using 90 nanometer geometry process technology.

We intend to regularly introduce new products, with high performance advanced features of increasing complexity. These product solutions will require us to achieve volume production in a rapid timeframe. We believe that by using the advanced technologies offered by our fabrication partners and their expertise in high volume manufacturing, we can rapidly achieve volume production. However, lead times for materials and components we order vary significantly and depend on such factors as the specific supplier, contract terms and demand for a component at a given time.

All of our manufactured wafers are tested for electrical compliance and most are packaged at Advanced Semiconductor Engineering, or ASE, which is located in Taiwan. Our test procedures require that all of our products are subjected to accelerated burn-in and extensive functional electrical testing, most of which occur at ASE Test and Advantech Semiconductor Inc. Additionally, we perform testing for most of our low volume products in-house.

Research and Development

The design process for our products is complex. As a result, we have made substantial investments in computer-aided design and engineering resources to manage our design process. Investments in research and development were $5.5 million in fiscal 2004, $6.2 million in fiscal 2003 and $4.8 million in fiscal 2002. Our research and development staff includes engineering professionals with extensive experience in the areas of SRAM IC design and systems level networking and telecommunications equipment design.

We are also leveraging our advanced design capabilities to expand into other networking and telecommunications products, including a channelized OC-3 processor that incorporates 16 megabits of SRAM. When completed, we believe this will be the first low-power, single IC device solution capable of simultaneously processing multiple types of traffic with OC-3 bandwidth. We have established a design center in Norcross, Georgia, to focus on the development of these products.

Competition

Our existing competitors include many large domestic and international companies, some of which have substantially greater resources, broader product lines and longer standing relationships with end-users than we do. Unlike us, some of our principal competitors maintain their own semiconductor foundries and may, therefore, benefit from capacity, cost and technical advantages.

Our principal competitors are Cypress Semiconductor, Integrated Device Technology, Integrated Silicon Solution, Samsung Electronics and Sony. While some of our competitors have broader product offerings and offer some of their products at lower prices than we do, we believe that our leadership in high density SRAMs, the features we offer on our products and our ability to offer the highest speeds available in our key market segments provide us with key competitive advantages.

We believe that our ability to compete successfully in the rapidly evolving networking and telecommunications markets depends on a number of factors, including:

- quality, price, performance and features of our products;
- the timing and success of new product introductions by us, our customers and our competitors; and
- our ability to anticipate and conform to new industry standards.

We believe we compete favorably with our competitors based on these factors. However, we may not be able to compete successfully in the future with respect to any of these factors. Our failure to compete successfully in these or other areas could harm our business.

The networking and telecommunications segment of the SRAM market is competitive and is characterized by technological change, declining average selling prices and product obsolescence. We expect competition to increase in the future from existing competitors and from other companies that may enter our existing or future markets with solutions that may be less costly or provide higher performance or more desirable features than our products. This increased competition may result in price reductions, reduced profit margins and loss of market share.

Intellectual Property

Our ability to compete successfully depends, in part, upon our ability to protect our proprietary technology and information. We have three patent applications pending in the United States and we rely on a combination of copyrights, trademarks and trade secret laws to protect some of our intellectual property. We have no assurances that any patents will issue on any of our pending applications, or that if such patents do issue, that they will be valuable to our business. We believe that factors such as the technological and creative skills of our personnel and the success of our ongoing product development efforts are more important in maintaining our competitive position. We generally enter into confidentiality or license agreements with our employees, distributors, customers and potential customers and limit access to our proprietary information. Our intellectual property rights, if challenged, may not be upheld as valid, may not be adequate to prevent misappropriation of our technology or may not prevent the development of competitive products. Additionally, we may not be able to obtain patents or other intellectual property protection in the future. Furthermore, the laws of certain foreign countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the United States and thus make the possibility of piracy of our technology and products more likely in these countries.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which have resulted in significant and often protracted and expensive litigation. We or our foundries from time to time are notified of claims that we may be infringing patents or other intellectual property rights owned by third parties. We have been subject to intellectual property claims in the past and we may be subject to additional claims and litigation in the future. Litigation by or against us relating to allegations of patent infringement or other intellectual property matters could result in significant expense to us and divert the efforts of our technical and management personnel, whether or not such litigation results in a determination favorable to us. In the event of an adverse result in any such litigation, we could be required to pay substantial damages, cease the manufacture,

use and sale of infringing products, expend significant resources to develop non-infringing technology, discontinue the use of certain processes or obtain licenses to the infringing technology. Licenses may not be offered or the terms of any offered licenses may not be acceptable to us. If we fail to obtain a license from a third party for technology used by us, we could incur substantial liabilities and be required to suspend the manufacture of products or the use by our foundries of certain processes.

Employees

As of April 1, 2004, we had 98 full-time employees. We believe that our future success will depend in large part on our ability to attract and retain highly-skilled, engineering, managerial, sales and marketing personnel. Our employees are not represented by any collective bargaining unit, and we have never experienced a work stoppage. We believe that our employee relations are good.

Facilities

Our executive offices, our principal administration, marketing and sales operations and a portion of our research and development operations are located in approximately 20,300 square feet of leased space in Santa Clara, California under a lease expiring in May 2010. We believe that our Santa Clara facility is adequate for our needs for the foreseeable future. In addition, we lease approximately 5,000 square feet in Taiwan to support our manufacturing activities. This lease expires in September 2004 and we intend to lease a larger facility in Taiwan prior to such expiration. We also lease space in Georgia, North Carolina and Texas. The aggregate annual gross rent for our facilities was approximately $568,000 in fiscal 2004.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information concerning our executive officers and directors as of March 31, 2004:

Name	Age	Title
Lee-Lean Shu	49	President, Chief Executive Officer and Chairman
David Chapman	48	Vice President, Marketing
Didier Lasserre	39	Vice President, Sales
Leon Lee	50	Vice President, Telecommunication Division
Douglas Schirle	49	Chief Financial Officer
Bor-Tay Wu	51	Vice President, Taiwan Operations
Ping Wu	47	Vice President, U.S. Operations
Robert Yau	50	Vice President, Engineering, Secretary and Director
Hsiang-Wen Chen(1)(2)	56	Director
Ruey L. Lu(1)(3)	48	Director
Jing Rong Tang(1)(2)(3)	49	Director

(1) Member of the audit committee.

(2) Member of the nominating and corporate governance committee.

(3) Member of the compensation committee.

Lee-Lean Shu co-founded our company in March 1995 and has served as our President and Chief Executive Officer and as a member of our Board of Directors since inception. In October 2000, Mr. Shu became Chairman of our Board. From January 1995 to March 1995, Mr. Shu was Director, SRAM Design at Sony Microelectronics Corporation, a semiconductor company and a subsidiary of Sony Corporation, and from July 1990 to January 1995, he was a design manager at Sony Microelectronics Corporation.

David Chapman has served as our Vice President, Marketing since July 2002. From November 1998 to June 2002, Mr. Chapman served as our Director of Strategic Marketing and Applications Engineering. From February 1988 to October 1998, Mr. Chapman served in various product planning and applications engineering management capacities in the Memory Operation division and later the Fast SRAM division of Motorola Semiconductor Product Sector, Motorola, Inc., an electronics manufacturer. Mr. Chapman has been a member of JEDEC since 1985, and served as Chairman of its SRAM committee in 1999.

Didier Lasserre has served as our Vice President, Sales since July 2002. From November 1997 to July 2002, Mr. Lasserre served as our Director of Sales for the Western United States and Europe. From July 1996 to October 1997, Mr. Lasserre was an account manager at Solectron Corporation, a provider of electronics manufacturing services. From June 1988 to July 1996, Mr. Lasserre was a field sales engineer at Cypress Semiconductor, a semiconductor company.

Leon Lee has served as our Vice President, Telecommunications Division since December 1999. From July 1996 to November 1999, Mr. Lee was Director of ATM equipment design at Lucent Technologies, a telecommunications equipment company. From May 1988 to June 1996, Mr. Lee was manager of cable phone headend design and system integration at Nortel Networks, a telecommunications equipment manufacturer.

Douglas Schirle has served as our Chief Financial Officer since August 2000. From June 1999 to August 2000, Mr. Schirle served as our Corporate Controller. From March 1997 to June 1999, Mr. Schirle was the Corporate Controller at Pericom Semiconductor Corporation, a provider of digital

and mixed signal integrated circuits. From November 1996 to February 1997, Mr. Schirle was Vice President, Finance for Paradigm Technology, a manufacturer of SRAMs, and from December 1993 to October 1996, he was the Controller for Paradigm Technology. Mr. Schirle was formerly a certified public accountant.

Bor-Tay Wu has served as our Vice President, Operations since January 1997. From January 1995 to December 1996, Mr. Wu was a design manager at Atalent, an IC design company in Taiwan.

Ping Wu has served as our Vice President, U.S. Operations since February 2004. From July 1999 to January 2004, Mr. Wu served as our Director of Operations. From July 1997 to June 1999, Mr. Wu served as Vice President of Operations at Scan Vision, a semiconductor manufacturer.

Robert Yau co-founded our company in March 1995 and has served as our Vice President, Engineering and as a member of our Board of Directors since inception. From December 1993 to February 1995, Mr. Yau was design manager for specialty memory devices at Sony Microelectronics Corporation. From 1990 to 1993, Mr. Yau was design manager at MOSEL/VITELIC, a semiconductor company.

Hsiang-Wen Chen, Ph.D. has served as a member of our Board of Directors since January 1997. Dr. Chen has served as the Managing Director of Monet Capital, LLC, a venture capital firm, since January 2000. From January 1997 to October 1999, Dr. Chen served as our Vice President, Technology. From January 1987 to December 1996, Dr. Chen was the Director of Technology at Paradigm Technology. Dr. Chen also serves on the board of directors of several private companies.

Ruey L. Lu has served as a member of our Board of Directors since October 2000. Mr. Lu is the President of EMPIA Technology, a semiconductor solutions company, which he founded in June 2002. From March 1993 to December 2001, Mr. Lu served as President of ARK Logic, a storage device and software applications company which he founded in March 1993. From October 1989 to February 1993, Mr. Lu served as Director of Engineering in the Imaging Product Division of Western Digital, an information storage company.

Jing Rong Tang has served as a member of our Board of Directors since May 1995. Since 1994, Mr. Tang has served as the Chief Executive Officer of HolyStone Enterprises Co., Ltd., a distributor of electronic components.

There are no family relationships among any of our directors, officers or key employees.

Board of Directors

Upon completion of this offering, our Board of Directors will be divided into three classes, as follows:

- Class I consists of Jing Rong Tang and Ruey L. Lu, whose terms will expire at our annual meeting of stockholders to be held in 2005;
- Class II consists of Robert Yau and Hsiang-Wen Chen, whose terms will expire at our annual meeting of stockholders to be held in 2006; and
- Class III consists of Lee-Lean Shu, whose terms will expire at our annual meeting of stockholders to be held in 2007.

Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of stockholders in the year in which such term expires. Each director's term is subject to the election and qualification of his successor, or his earlier death, resignation or removal. The authorized number of directors may only be changed by resolution of our Board of Directors. Any increase or decrease in the number of directors will be distributed among the

three classes so that, as nearly as possible, each class will consist of one-third of the directors. Because no more than one-third of our Board may be elected at each annual meeting, this classification of our Board of Directors may have the effect of delaying or preventing changes in control or management.

Upon completion of the offering, a majority of the members of our Board of Directors will be independent as defined under the rules of the Nasdaq Stock Market.

Committees of the Board of Directors

Our Board of Directors has established three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. Upon completion of the offering, each member of each of the foregoing committees will be independent as defined under the rules of the Nasdaq Stock Market.

Audit Committee. The audit committee oversees, reviews and evaluates our financial statements, accounting and financial reporting processes, internal control functions and the audits of our financial statements. The audit committee is responsible for the appointment, compensation, retention and oversight of our independent auditors. The members of our audit committee are Hsiang-Wen Chen, Jing Rong Tang and Ruey L. Lu. Upon completion of this offering each member of our audit committee will satisfy the independence requirements of Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended.

Compensation Committee. The compensation committee reviews and makes recommendations to our Board of Directors concerning the compensation and benefits of our executive officers and directors, administers our stock option and employee benefits plans, and reviews general policy relating to compensation and benefits. The members of our compensation committee are Jing Rong Tang and Ruey L. Lu.

Nominating and Corporate Governance Committee. The nominating and corporate governance committee identifies prospective board candidates, recommends nominees for election to our Board of Directors, develops and recommends board member selection criteria, considers committee member qualification, recommends corporate governance principles to the Board of Directors, and provides oversight in the evaluation of the Board of Directors and each committee. The members of our nominating and corporate governance committee are Hsiang-Wen Chen and Jing Rong Tang.

Director Compensation

Our directors do not currently receive cash compensation for their services as directors or members of committees of the Board of Directors. We plan to adopt a policy for the payment of cash compensation to our non-employee directors, to become effective upon the completion of this offering. In addition, upon completion of this offering, our non-employee directors will be granted an initial option for shares of our common stock on the day of his or her initial election or appointment to our Board of Directors, which option will become exercisable in three equal annual installments beginning on the first anniversary of the date of grant. On the day of each annual meeting of stockholders, each nonemployee director who remains in office immediately following the meeting will be granted an option to purchase shares of common stock, which will become fully vested and exercisable on the day immediately preceeding the date of the following annual meeting of stockholders, subject to the nonemployee director's continuous service on our Board of Directors. For additional information regarding director compensation, see "2004 Equity Incentive Plan—Automatic Grant of Nonemployee Director Stock Options."

Compensation Committee Interlocks and Insider Participation

Our Board of Directors established the compensation committee in April 2004. Prior to establishing the compensation committee, our Board of Directors as a whole performed the functions delegated to the compensation committee. No member of our compensation committee and none of our executive officers has a relationship that would constitute an interlocking relationship with the executive officers and directors of another entity.

Employment Agreements

We do not have employment agreements with any of our executive officers.

Executive Compensation

The following table provides the total compensation paid to our chief executive officer and our next four most highly-compensated executive officers for the fiscal year ended March 31, 2004. These executives are referred to as our named executive officers elsewhere in this prospectus.

Summary Compensation Table

	Annual Compensation		Long Term Compensation Awards
Name and Principal Position	**Salary**	**Other Annual Compensation**	**Securities Underlying Options (#)**
Lee-Lean Shu President and Chief Executive Officer	$ 189,492	—	123,750
David Chapman Vice President, Marketing	145,113	—	61,875
Didier Lasserre Vice President, Sales	177,851	$ 5,400(1)	61,875
Douglas Schirle Chief Financial Officer	139,517	—	41,250
Robert Yau Vice President, Engineering	151,594	—	61,876

(1) Mr. Lasserre received a car allowance of $5,400.

Stock Options

The following table sets forth information regarding grants of stock options to each of the named executive officers during fiscal 2004. All of these options were granted under our 2000 stock option plan. The percentage of total options set forth below is based on an aggregate of 1,035,643 options granted to all employees during the fiscal year. All options were granted at the fair market value of our common stock, as determined by the Board of Directors on the date of grant. Hypothetical, potential realizable values are net of exercise price, but before taxes associated with exercise. Amounts represent hypothetical gains that could be achieved for the options if exercised at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with rules of the SEC and do not represent our estimate or projection of the future common stock price.

Option Grants in Fiscal 2004

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name and Principal Position	**Number of Securities Underlying Options Granted (#)**	**% of Total Options Granted to Employees in Fiscal Year 2004**	**Exercise Price Per Share**	**Expiration Date**	**5%**	**10%**
Lee-Lean Shu[(1)] President and Chief Executive Officer	123,750	12.0%	$ 2.10	7/15/13	$ 949,579	$ 1,665,979
David Chapman[(2)]	41,250	4.0	2.10	7/15/13	316,526	555,326
Vice President, Marketing	20,625	2.0	3.50	12/15/13	129,488	248,788
Didier Lasserre[(3)]	41,250	4.0	2.10	7/15/13	316,526	555,326
Vice President, Sales	20,625	2.0	3.50	12/15/13	129,488	248,788
Douglas Schirle[(4)] Chief Financial Officer	41,250	4.0	2.10	7/15/13	316,526	555,326
Robert Yau[(5)]	61,876	6.0	2.10	7/15/13	474,798	833,003
Vice President, Engineering						

(1) 61,875 shares vest on January 13, 2006, and 61,875 shares vest on January 13, 2007.

(2) 20,625 shares vest on November 9, 2005, and 20,625 shares vest on November 9, 2006. The 20,625 shares vest on November 9, 2007.

(3) 20,625 shares vest on November 3, 2005, and 20,625 shares vest on November 3, 2006. The 20,625 shares vest on November 3, 2007.

(4) 20,625 shares vest on June 3, 2006, and 20,625 shares vest on June 3, 2007.

(5) 30,938 shares vest on January 13, 2006, and 30,938 shares vest on January 13, 2007.

Aggregate Option Exercises in Fiscal 2004 and Option Values at March 31, 2004

The following table sets forth the number of shares of common stock acquired and the value realized upon exercise of stock options during fiscal 2004 and the number of shares of common stock subject to exercisable and unexercisable options held as of March 31, 2004 by each of the named executive officers.

Option Values at March 31, 2004

Name and Principal Position	Number of Shares Acquired on Exercise(#)	Value Realized(1)	Number of Securities Underlying Unexercised Options at 3/31/04		Value of Unexercised In-the-Money Options at 3/31/04(2)	
			Exercisable(#)	Unexercisable(#)	Exercisable($)	Unexercisable($)
Lee-Lean Shu Chief Executive Officer and President	123,750	$ 309,375	123,750	185,625		
David Chapman Vice President, Marketing	—	—	137,813	94,688		
Didier Lasserre Vice President, Sales	20,625	51,562.50	17,813	94,688		
Douglas Schirle Chief Financial Officer	—	—	97,500	90,000		
Robert Yau Vice President, Engineering	82,500	206,250	61,876	92,814		

(1) The value realized set forth above is calculated based on a price of $6.00 per share, the fair value of the common stock on March 31, 2004, as determined by the Board of Directors, minus the exercise price.

(2) The value of unexercised in-the-money options at March 31, 2004 is calculated based on the difference between the initial public offering price of $ per share and the exercise price for the shares underlying the option, multiplied by the number of shares issuable upon exercise of the option.

Stock Plans

1997 Stock Plan

In January 1997, our Board of Directors adopted and our stockholders approved the 1997 Stock Plan, or the 1997 Plan. A total of 8,450,000 shares of common stock were reserved for issuance under this plan. As of March 31, 2004, there were outstanding under the 1997 Plan options to purchase 1,639,102 shares of common stock, at a weighted average exercise price of $1.42 per share. The 1997 Plan was terminated by the Board in October 2000, and no additional options may be granted under the 1997 Plan. However, options granted under the 1997 Plan prior to its termination will remain outstanding until they are either exercised or expire on their terms.

Under the 1997 Plan, our employees and consultants, and those of any parent or subsidiary of ours, were eligible to receive nonstatutory stock options and stock purchase rights. Employees were also eligible to receive "incentive stock options," within the meaning of Section 422 of the Internal Revenue Code. This plan is administered by our Board of Directors. Subject to the provisions of the 1997 Plan, the Board determined in its discretion the persons to whom and the times at which options and stock

purchase rights were granted, the sizes of such awards, and all of their terms and conditions. All option and restricted stock awards are evidenced by a written agreement between us and the optionee. The Board may amend or reprice any option. The Board has the authority to construe and interpret the terms of the 1997 Plan and awards granted under it.

The exercise price of nonstatutory stock options granted under the 1997 Plan must be at least 85% of the fair market value of a share of our common stock on the date of grant. The exercise price of incentive stock options cannot be less than 100% of the fair market value of a share of our common stock on the date of grant. In the case of any options granted to a person who owns stock possessing more than 10% of the total combined voting power of all classes of our stock or of any parent or subsidiary corporation, the exercise price cannot be less than 110% of such fair market value. The term of an option cannot exceed 10 years, or 5 years for incentive stock options granted to 10% stockholders. An option generally remains exercisable for the period stated in the applicable option agreement (not be less than 30 days) following the optionee's termination of service, except that if service terminates as a result of the optionee's death or disability, the option will remain exercisable for 12 months, but in any event not beyond the expiration of its term. Shares subject to options granted under the 1997 Plan generally vest, conditioned upon the participant's continued service, over a period of four years, although the Board may specify a different period for a particular grant.

Stock purchase rights generally are granted subject to a repurchase option in favor of us that lapses in accordance with a vesting schedule, which vesting is not less than 20% per year over five years. A stock purchase agreement will contain the particular terms of the award, which terms shall be determined by the Board.

In the event of a merger, the acquiring or successor corporation may assume or substitute substantially equivalent options and stock purchase rights for the outstanding options or rights granted under the 1997 Plan. If the acquiring or successor corporation elects not to assume or substitute for outstanding options and stock purchase rights granted under the 1997 Plan, shares subject to the options and rights will terminate.

2000 Stock Option Plan

In October 2000, our Board of Directors adopted and our stockholders subsequently approved the 2000 Stock Option Plan, or the 2000 Plan. A total of 3,000,000 shares of common stock have been reserved for issuance under this plan. As of March 31, 2004, there were outstanding under the 2000 Plan options to purchase 1,872,161 shares of common stock, at a weighted average exercise price of $3.69 per share. As of March 31, 2004, a total of 1,127,839 shares of common stock remained available for future option grants under the 2000 Plan. The 2000 Plan will terminate and no further shares will be issued thereunder upon stockholder approval of the 2004 Equity Incentive Plan described below.

Under the 2000 Plan, our employees, directors and consultants, and those of any parent or subsidiary of ours, are eligible to receive nonstatutory stock options. Employees are also eligible to receive "incentive stock options," within the meaning of Section 422 of the Internal Revenue Code. This plan is administered by our Board of Directors. Subject to the provisions of the 2000 Plan, the Board determines in its discretion the persons to whom and the times at which options are granted, the types and sizes of such options, and all of their terms and conditions. All options are evidenced by a written agreement between us and the optionee. The Board may amend, modify, cancel, extend or renew any option, grant a new option in substitution for any option, waive any restrictions or conditions applicable to any option, and accelerate, continue, extend or defer the vesting of any option. The Board has the authority to construe and interpret the terms of the 2000 Plan and options granted under it.

The exercise price of nonstatutory stock options granted under the 2000 Plan must be at least 85% of the fair market value of a share of our common stock on the date of grant. The exercise price of incentive stock options cannot be less than 100% of the fair market value of a share of our common

stock on the date of grant. In the case of any options granted to a person who owns stock possessing more than 10% of the total combined voting power of all classes of our stock or of any parent or subsidiary corporation, the exercise price cannot be less than 110% of such fair market value. The term of an option cannot exceed 10 years, or 5 years for incentive stock options granted to 10 percent stockholders. Unless a longer period is provided by the Board, an option generally remains exercisable for three months following the optionee's termination of service, except that if service terminates as a result of the optionee's death or disability, the option generally remains exercisable for 12 months, but in any event not beyond the expiration of its term. Shares subject to options granted under the 2000 Plan generally vest, conditioned upon the participant's continued service, over a period of four years, with 25 percent vesting per year.

In the event of a change in control, the acquiring or successor corporation may assume or substitute substantially equivalent options for the outstanding options granted under the 2000 Plan. If the acquiring or successor corporation elects not to assume or substitute for outstanding options granted under the 2000 Plan, shares subject to the options will accelerate and become vested and exercisable and vested ten days prior to the date of the change in control in such amounts as determined by the Board and set forth in the participant's stock option agreement. On completion of a change in control all outstanding options will terminate to the extent not exercised or assumed by the acquiring or successor corporation.

2004 Equity Incentive Plan

Our 2004 Equity Incentive Plan, or the Equity Plan, was approved by our Board of Directors in April 2004 and will be effective upon its approval by our stockholders, currently anticipated in May 2004.

Purpose. The Equity Plan is intended to make available incentives that will assist us to attract, retain and motivate employees whose contributions are essential to our success. We may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares and performance units.

Shares Subject to Equity Plan. A total of 3,000,000 shares of our common stock are initially authorized and reserved for issuance under the Equity Plan. This reserve will automatically increase on April 1, 2006 and each subsequent anniversary through 2014, by an amount equal to the lesser of (a) five percent (5%) of the number of shares of stock issued and outstanding on the immediately preceding March 31, or (b) 1,500,000 shares. The Board of Directors may elect to reduce, but not increase without also obtaining stockholder approval, the number of additional shares authorized in any year. Appropriate adjustments will be made in the number of authorized shares and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the Equity Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by tender of previously owned shares will be deducted from the shares available under the Equity Plan.

Administration. The administrator of our Equity Plan will generally be the compensation committee of our Board of Directors, although the Board may delegate to one or more of our officers authority, subject to limitations specified by the plan and the Board, to grant stock options to service providers who are neither officers nor directors of us. Subject to the provisions of the plan, the administrator determines in its discretion the persons to whom and the times at which awards are granted, the types and sizes of such awards, and all of their terms and conditions. All awards will be evidenced by a written agreement between us and the participant. The administrator may amend, cancel or renew any award, waive any restrictions or conditions applicable to any award, and accelerate,

continue, extend or defer the vesting of any award. The administrator has the authority to construe and interpret the terms of the Equity Plan and awards granted under it.

Eligibility. Awards may be granted under the Equity Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares and performance units to any eligible participant.

Stock Options. The administrator may grant nonstatutory stock options, "incentive stock options," within the meaning of Section 422 of the Internal Revenue Code, or any combination of these. The exercise price of each option may not be less than the fair market value of a share of our common stock on the date of grant. Any incentive stock option granted to a person who owns stock possessing more than 10% of the total combined voting power of all classes of our stock or of any parent or subsidiary corporation must have an exercise price equal to at least 110% of the fair market value of a share of our common stock on the date of grant and a term not exceeding 5 years. The term of all other options may not exceed 10 years. Options vest and become exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the administrator. Unless a longer period is provided by the administrator, an option generally will remain exercisable for three months following the participant's termination of service, except that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for twelve months, but in any event not beyond the expiration of its term.

Automatic Grant of Nonemployee Director Stock Options. Members of the Board of Directors who are not employees (a "Nonemployee Director") at the time of grant are eligible to participate in the nonemployee director stock option component of the Equity Plan. Upon first being elected or appointed as an Nonemployee Director, an individual will be granted an initial option for ("Initial Option") shares of our common stock on the day of his or her initial election or appointment. On the day of each annual meeting of stockholders, each Nonemployee Director who remains in office immediately following the meeting will be granted an annual option for ("Annual Option") shares of common stock; provided, however, that an Nonemployee Director granted an Initial Option on, or within a period of six months prior to, the date of an Annual Meeting shall not be granted an Annual Option.

Each option granted under the automatic grant program will be evidenced by a written agreement specifying the number of shares subject to the option and the other terms and conditions of the option, consistent with the provisions of the Equity Plan. The per-share exercise price under each option will be equal to the fair market value of a share of our common stock on the date of grant. Generally, the fair market value of the common stock is the closing price per share on the date of grant as reported on the Nasdaq National Market.

Initial Options will become exercisable in three equal annual installments beginning on the first anniversary of the date of grant, and Annual Options will become fully vested and exercisable on the day immediately preceding the date of the Annual Meeting next following the date of grant of the option, subject in each case to the Nonemployee Director's continuous service on our Board of Directors. Unless earlier terminated under the terms of the Equity Plan or the option agreement, each option will remain exercisable for 10 years after grant. An option generally will remain exercisable for 6 months following the Nonemployee Director's termination of service, provided that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for 12 months, but in any event the option must be exercised no later than its expiration date. All other terms and conditions of Nonemployee Director options are substantially equivalent to those described above for options generally.

Stock Appreciation Rights. A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of our common stock between the date of grant of the award and the date of its exercise. We may pay the appreciation either in cash or in shares of our common stock. We may make this payment in a lump sum, or we may defer payment in accordance with the terms of the participant's award agreement. The administrator may grant stock appreciation rights under the Equity Plan in tandem with a related stock option or as a freestanding award. A tandem stock appreciation right is exercisable only at the time and to the same extent that the related option is exercisable, and its exercise causes the related option to be canceled. Freestanding stock appreciation rights vest and become exercisable at the times and on the terms established by the administrator. The maximum term of any stock appreciation right granted under the Equity Plan is ten years.

Restricted Stock Awards. The administrator may grant restricted stock awards under the Equity Plan either in the form of a restricted stock purchase right, giving a participant an immediate right to purchase our common stock, or in the form of a restricted stock bonus, for which the participant furnishes consideration in the form of services to us. The administrator determines the purchase price payable under restricted stock purchase awards, which may be less than the then current fair market value of our common stock. Restricted stock awards may be subject to vesting conditions based on such service or performance criteria as the administrator specifies, and the shares acquired may not be transferred by the participant until vested. Unless otherwise determined by the administrator, a participant will forfeit any unvested shares upon voluntary or involuntary termination of service with us for any reason, including death or disability. Participants holding restricted stock will have the right to vote the shares and to receive any dividends paid, except that dividends or other distributions paid in shares will be subject to the same restrictions as the original award.

Restricted Stock Units. Restricted stock units granted under the Equity Plan represent a right to receive shares of our common stock at a future date determined in accordance with the participant's award agreement. No monetary payment is required for receipt of restricted stock units or the shares issued in settlement of the award, the consideration for which is furnished in the form of the participant's services to us. The administrator may grant restricted stock unit awards subject to the attainment of performance goals similar to those described below in connection with performance shares and performance units, or may make the awards subject to vesting conditions similar to those applicable to restricted stock awards. The Equity Plan also authorizes the administrator to establish a deferred compensation award program under which selected participants may elect to receive fully vested stock units in lieu of compensation otherwise payable in cash or in lieu of cash or shares of stock otherwise issuable upon the exercise of stock options, stock appreciation rights, performance shares or performance units. Participants have no voting rights or rights to receive cash dividends with respect to restricted stock unit awards until shares of common stock are issued in settlement of such awards. However, the administrator may grant restricted stock units that entitle their holders to receive dividend equivalents, which are rights to receive additional restricted stock units for a number of shares whose value is equal to any cash dividends we pay.

Performance Shares and Performance Units. The administrator may grant performance shares and performance units under the Equity Plan, which are awards that will result in a payment to a participant only if specified performance goals are achieved during a specified performance period. Performance share awards are denominated in shares of our common stock, while performance unit awards are denominated in dollars. In granting a performance share or unit award, the administrator establishes the applicable performance goals based on one or more measures of business performance enumerated in the Equity Plan, such as revenue, gross margin, net income, cash flow, return on capital or market share. To the extent earned, performance share and unit awards may be settled in cash, shares of our common stock, including restricted stock, or any combination of these payments may be made in a lump sum or on a deferred basis. If payments are to be made on a deferred basis, the administrator may provide for the payment of dividend equivalents or interest during the deferral

period. Unless otherwise determined by the administrator, if a participant's service terminates due to death or disability prior to completion of the applicable performance period, the final award value is determined at the end of the period on the basis of the performance goals attained during the entire period, but payment is prorated for the portion of the period during which the participant remained in service. Except as otherwise provided by the Equity Plan, if a participant's service terminates for any other reason, the participant's performance shares or units are forfeited.

Change in Control. In the event of a change in control, the acquiring or successor entity may assume all stock options and stock appreciation rights outstanding under the Equity Plan or substitute substantially equivalent options and stock appreciation rights. If the outstanding stock options and stock appreciation rights are not assumed by the acquiring or successor entity, all unexercised portions of such outstanding awards will terminate. The administrator may provide for the acceleration of vesting of any and all outstanding options and stock appreciation rights upon such terms and to such extent as it determines, except that the vesting of all non-employee director options will automatically accelerate in full ten days prior to the change in control. Alternatively, the administrator may provide for the cancellation of outstanding stock options or stock appreciation rights in exchange for a payment in cash, stock or other property having a value equal to the difference between the exercise price of the award and the consideration payable in the change in control transaction with respect to the number of vested shares subject to the award. The administrator may accelerate the vesting and settlement of any award upon a change in control.

Amendment and Termination. The Equity Plan will continue in effect until the tenth anniversary of its approval by the stockholders, unless earlier terminated by the administrator. The administrator may amend, suspend or terminate the Equity Plan at any time, provided that without stockholder approval, the plan cannot be amended to increase the number of shares authorized, change the class of persons eligible to receive incentive stock options or effect any other change that would require stockholder approval under any applicable law or listing rule. Amendment, suspension or termination of the Equity Plan may not adversely affect any outstanding award without the consent of the participant, unless such amendment, suspension or termination is necessary to comply with applicable law

2004 Employee Stock Purchase Plan

Our 2004 Employee Stock Purchase Plan, or the Purchase Plan, was adopted by our Board of Directors in April 2004. Subject to its approval by our stockholders, currently anticipated in May 2004, the Purchase Plan will become effective upon the completion of this offering.

Purpose. The purpose of the Purchase Plan is to advance our interests and the interests of our stockholders by providing an incentive to attract, retain and reward eligible employees. It is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code.

Shares Subject to Purchase Plan. A total of 500,000 shares of our common stock are initially authorized and reserved for sale under the Purchase Plan. In addition, the Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on April 1 of each year beginning in 2006 and continuing through 2014 equal to the lesser of (1) one percent of our then issued and outstanding shares of common stock on the immediately preceding March 31, (2) 250,000 shares or (3) a number of shares as our Board may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the Purchase Plan.

Administration. Our Board of Directors or a committee of the Board will serve as administrator of the Purchase Plan. The administrator has the authority to construe and interpret the terms of the Purchase Plan and the purchase rights granted under it, to determine eligibility to participate, and to establish policies and procedures for administration of the plan.

Eligibility. Our employees and employees of any parent or subsidiary corporation designated by the administrator are eligible to participate in the Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than 5 months in any calendar year. However, an employee may not be granted a right to purchase stock under the Purchase Plan if: (1) the employee immediately after grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (2) the employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

Offering Periods. The Purchase Plan is implemented through a series of sequential offering periods, generally 6 months in duration beginning on the first trading day on or after April 1 and October 1 of each year, except that the first offering period will commence on the effective date of the Purchase Plan and will end on March 31, 2005. The administrator is authorized to establish additional or alternative sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Participation. Eligible employees who enroll in the Purchase Plan may elect to have up to 15% of their eligible compensation withheld and accumulated for the purchase of shares at the end of each offering period in which they participate. However, all eligible employees will be automatically enrolled in the Purchase Plan's initial offering period and may only purchase shares by delivering an exercise notice and payment of the applicable purchase price prior to the initial purchase date, provided that participants may elect to begin payroll deductions under the Purchase Plan after the effective date of a Form S-8 registration statement registering the shares reserved for issuance under the Purchase Plan. Participants may voluntarily withdraw from the Purchase Plan at any time during an offering period and receive a refund, without interest, of all amount withheld from compensation not previously applied to purchase shares. Participation ends automatically upon termination of employment.

Purchase of Shares. Amounts accumulated for each participant are used to purchase shares of our common stock at the end of each offering period at a price generally equal to 85% of the lower of the fair market value of our common stock at the beginning of an offering period or at the end of the offering period. Prior to commencement of an offering period, the administrator is authorized to reduce, but not increase, this purchase price discount for that offering period, or, under circumstances described in the Purchase Plan, during that offering period. The maximum number of shares a participant may purchase in any six-month offering period is the lesser of 1,250 shares or a number of shares determined by dividing $12,500 by the fair market value of a share of our common stock at the beginning of the offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

Change in Control. In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the Purchase Plan. If the acquiring or successor

corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control.

Amendment and Termination. The Purchase Plan will continue in effect until terminated by the administrator. The administrator may amend, suspend or terminate the Purchase Plan at any time, provided that unless stockholder approval is obtained within 12 months of such amendment, the plan cannot be amended to increase the number of shares authorized or change the definition of the corporations that may be designated by the administrator for participation in the plan. Amendment, suspension or termination of the Purchase Plan may not adversely affect any purchase rights previously granted without the consent of the participant, unless such amendment, suspension or termination is necessary to qualify the plan under Section 423 of the Internal Revenue Code or to comply with applicable law, or is effected after a determination by the administrator that continuation of the plan or an offering period would result in unfavorable accounting consequences to us as a result of a change, after the plan's effective date, in the generally accepted accounting principles applicable to the Purchase Plan.

Simplified Employee Pension Plan

We have adopted a Simplified Employee Pension Plan which is intended to satisfy the requirements under Section 408 of the Internal Revenue Code of 1986, as amended. Under the terms of this plan, we may, but are not required, to make discretionary contributions to each participant's individual retirement account. Contributions to the plan are generally deductible by us when made, and are not taxable to participants until distributed. Pursuant to the plan, participants may direct the trustees to invest their individual retirement accounts.

Indemnification of Directors and Executive Officers and Limitation of Liability

As permitted by the Delaware General Corporation Law, upon our reincorporation in Delaware, we will adopt a provision in our certificate of incorporation which provides that our directors shall not be personally liable for monetary damages to us or our stockholders for a breach of fiduciary duty as a director, except liability for:

- a breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- an act related to an unlawful stock repurchase or redemptions or payments of dividends; or
- transactions from which the director derived an improper personal benefit.

These limitations of liability do not apply to liabilities arising under the federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission. Our certificate of incorporation will also authorize us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by the Delaware General Corporation Law, our bylaws will provide that:

- we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions where indemnification is not permitted by applicable law;
- we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights provided in the bylaws are not exclusive.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our amended and restated certificate of incorporation will not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief remain available under Delaware law. Our amended and restated certificate of incorporation will not affect a director's responsibilities under any other laws, such as the federal securities laws or state or federal environmental laws.

We intend to enter into separate indemnification agreements with each of our directors and officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements may require us, among other things, to indemnify our officers and directors against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct. These indemnification agreements also may require us to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance if available on reasonable terms. We believe that these agreements and these provisions in our bylaws and certificate of incorporation are necessary to attract and retain qualified persons as officers and directors. We also intend to maintain directors' and officers' liability insurance.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification by us is sought. In addition, we are not aware of any threatened litigation or proceeding which may result in a claim for indemnification.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Distribution Agreement with HolyStone Enterprises Co., Ltd.

Jing Rong Tang, one of our directors, is the chief executive officer of HolyStone Enterprises Co., Ltd., which is a holder of more than 5% of our stock. In July 1997, we entered into a distribution agreement with HolyStone. The agreement is renewable without notice, and either party may terminate the agreement upon 30 days written notice. Under the terms of the agreement, HolyStone serves as an independent contractor and has a non-exclusive right to distribute our products in Taiwan. Under the terms of the agreement, HolyStone is obligated to pay us for our products 30 days after the date of invoice from us. The agreement provides that HolyStone may not distribute products that are competitive with our products, and we have the right to determine which products are competitive. We maintain the right to sell our products directly in Taiwan and are not obligated to accept HolyStone's orders. HolyStone has the right to use our trademarks and tradenames in connection with sales and advertising of our products.

Our sales to HolyStone were valued at approximately $1,001,000 in fiscal 2004, $324,000 in fiscal 2003 and $273,000 in fiscal 2002.

Other Transactions

For information regarding the grant of stock options to directors and executive officers, please see "Management—Director Compensation" and "Management—Executive Compensation."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of March 31, 2004, and as adjusted to reflect the sale of the common stock offered hereby, by:

- each stockholder who is known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each of the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or SEC. Unless otherwise indicated in the footnotes to the table and subject to the applicable community property laws, based on information provided by the person named in the table, these persons have sole voting and investment power with respect to all shares of the common stock shown as beneficially owned by them. The number of shares of common stock used to calculate the percentage ownership of each listed person includes the shares of common stock underlying options held by such person that are exercisable within 60 days following March 31, 2004. The percentage of beneficial ownership is based, before the offering, on 21,189,718 shares of common stock outstanding, as of March 31, 2004, assuming the automatic conversion of all of our outstanding preferred stock, which will occur upon the completion of this offering. The percentage ownership after the offering is based on shares of our common stock outstanding after the offering, assuming no exercise of the underwriters' overallotment option.

The address for those individuals and entities not otherwise indicated is 2360 Owen Street, Santa Clara, California 95054.

	Shares Beneficially Owned Prior to the Offering			Shares Beneficially Owned After the Offering	
Beneficial Owner	Number	Percent	Shares Being Offered	Number	Percent
Principal and Selling Stockholders:					
Ching-Ho Cheng	2,042,106	9.6%			
Ameroc. Corporation[1]	1,785,000	8.4			
HolyStone Enterprises Co. Ltd.[2]	1,400,000	6.6			
Hsin-Yi Yang	1,045,000	4.9			
Koowin Co., Ltd.[3]	775,000	3.7			
WestTech Electronics[4]	595,000	2.8			
Monet Capital Fund[5]	563,334	2.7			
Directors and Named Executive Officers:					
Jing Rong Tang[6]	3,185,000	15.0	—		
Lee-Lean Shu[7]	1,983,282	9.3	—	1,986,082	
Hsiang-Wen Chen[8]	1,681,042	7.9	—	1,681,042	
Robert Yau[9]	1,207,709	5.7	—	1,207,709	
Didier Lasserre[10]	203,438	*	—	203,438	
David Chapman[11]	137,813	*	—	137,813	

Douglas Schirle[12]	122,500	*	—	122,500
Ruey L. Lu[13]	6,000	*	—	6,000
All executive officers and directors as a group (11 persons)[14]	9,893,334	45.5	—	

* Less than 1.0%

(1) Fang Ming Lo, the of Ameroc Corp., has voting and investment control over the shares held by Ameroc Corp. The mailing address for Ameroc Corp. is 1FL, No. 62, Sec 2, Huang Shan Road, Taipei, Taiwan R.O.C.

(2) Jing Rong Tang, the Chief Executive Officer of HolyStone Enterprises Co., Ltd., has voting and investment control over the shares held by HolyStone Enterprises Co., Ltd. Mr. Tang has served as a member of our Board of Directors since May 1995. GSI is an SRAM supplier to HolyStone Enterprises Co., Ltd. The mailing address for HolyStone Enterprises Co., Ltd. is 1FL No. 62, Sec 2, Huang Shan Road, Taipei, Taiwan R.O.C.

(3) Jing Rong Tang, the of Koowin Co. Ltd., has voting and investment control over the shares held by Koowin Co., Ltd. Mr. Tang has served as a member of our Board of Directors since May 1995. The mailing address for Koowin Co., Ltd. is 1FL No. 62, Sec 2, Huang Shan Road, Taipei, Taiwan R.O.C.

(4) Shih Yun Sheng has voting and investment control over the shares held by WestTech Electronics. The mailing address for WestTech Electronics is 1FL No. 62, Sec 2, Huang Shan Road, Taipei, Taiwan R.O.C.

(5) Hsiang-Wen Chen has voting and investment control over shares held by Monet Capital Fund. Includes 200,000 shares held by Monet Capital Fund S, LP, and 363,334 shares held by Monet Capital Fund 1, LP. Hsiang-Wen Chen is a member of our Board of Directors and is Managing Director of Monet Capital, LLC. The address of Monet Capital Fund is 1762 Technology Dr., Suite 128, San Jose, CA 95110.

(6) Includes 1,400,000 shares held by HolyStone Enterprises Co., Ltd., of which Mr. Tang is Chief Executive Officer.

(7) Includes 123,750 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004. Includes 13,600 shares held by Mr. Shu's children. Also includes 100,000 shares held by Mr. Shu's spouse, and 63,515 on exercise of options held by his spouse that are exercisable within 60 days of March 31, 2004.

(8) Includes 200,000 shares held by Monet Capital Fund S, LP, 363,334 shares held by Monet Capital Fund 1, LP, and 363,333 shares held by TEFA Capital, Inc. Dr. Chen is managing director of Monet Capital, LLC and has an equity interest in TEFA Capital, Inc. Dr. Chen disclaims beneficial ownership of the shares held by TEFA Capital, Inc. except to the extent of his pecuniary interest therein.

(9) Includes 61,876 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

(10) Includes 17,813 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

(11) Represents shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

(12) Includes 97,500 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

(13) Represents 6,000 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

(14) Includes an aggregate of 549,517 shares issuable upon exercise of options that are exercisable within 60 days following March 31, 2004.

DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering, our authorized capital stock will consist of 150,000,000 shares of common stock, $.001 par value per share, and 5,000,000 shares of preferred stock, $.001 par value per share.

The following is a summary of the material terms of our common stock and preferred stock. Please see our certificate of incorporation, filed as an exhibit to the registration statement of which this prospectus is a part, for more detailed information.

Common Stock

As of March 31, 2004, there were 21,189,718 shares of our common stock outstanding held of record by approximately 129 stockholders, assuming the conversion of our outstanding redeemable convertible preferred stock into common stock. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Upon the completion of this offering, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably any dividends declared by the Board. In the event of a liquidation, dissolution or winding up of the company, holders of common stock are entitled to share ratably in the assets remaining after payment of liabilities and the liquidation preferences of any outstanding preferred stock. Holders of our common stock have no preemptive, conversion or redemption rights. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon the completion of this offering will be, fully paid and non-assessable.

Preferred Stock

Immediately prior to the completion of this offering, all outstanding shares of our outstanding redeemable preferred stock will be converted into an aggregate of 15,120,168 shares of common stock provided that the aggregate offering price of the shares offered in this offering equals or exceeds $10,000,000. Following the completion of the offering, 5,000,000 shares of undesignated preferred stock will be authorized for issuance. Our Board of Directors has the authority, without further action by our stockholders, to issue preferred stock in one or more series. In addition, the Board may fix the rights, preferences and privileges of any preferred stock it determines to issue. Any or all of these rights may be superior to the rights of the common stock. Preferred stock could thus be issued quickly with terms calculated to delay or prevent a change in control of our company or to make removal of management more difficult. Additionally, the issuance of preferred stock may decrease the market price of our common stock. At present, we have no plans to issue any shares of preferred stock.

Registration Rights

None of our stockholders has any registration rights.

Antitakeover Provisions

Delaware Law

We will be subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers, which prohibits a Delaware corporation from engaging in any business combination with an "interested stockholder," unless:

- prior to the date of the transaction, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to the date of the transaction, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}$% of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise specified in Section 203, an "interested stockholder" is defined to include:

- any person that is the owner of 15% or more of the outstanding voting securities of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and

- the affiliates and associates of any such person.

Certificate of Incorporation and Bylaws

Following the completion of this offering, our certificate of incorporation and bylaws will provide that:

- no action can be taken by stockholders except at an annual or special meeting of the stockholders called in accordance with our bylaws, and stockholders may not act by written consent;

- the approval of holders of two-thirds of the shares entitled to vote at an election of directors will be required to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action;

- our Board of Directors will be expressly authorized to make, alter or repeal our bylaws;

- stockholders may not call special meetings of the stockholders or fill vacancies on the Board of Directors;

- our Board of Directors will be divided into three classes of service with staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;

- our Board of Directors will be authorized to issue preferred stock without stockholder approval;

- directors may only be removed for cause by the holders of two-thirds of the shares entitled to vote at an election of directors; and

- we will indemnify officers and directors against losses that may incur investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of our company.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is EquiServe, LP.

Nasdaq National Market Listing

We have applied to have our common stock approved for listing on the Nasdaq National Market under the trading symbol "GSIT."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the possibility of these sales, could adversely affect the trading price of our common stock.

Upon completion of this offering, we will have outstanding shares of common stock, assuming no exercise of the underwriters' overallotment option and no exercise of outstanding options to purchase common stock after March 31, 2004. Of these shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below.

The remaining shares of common stock outstanding upon completion of this offering will be "restricted securities" as defined in Rule 144. These securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below. Sales of these restricted securities in the public market, or the availability of these shares for sale, could adversely affect the trading price of our common stock.

Holders of approximately of these restricted securities, including all of our officers and directors and the entities affiliated with them, have entered into lock-up agreements providing that, subject to limited exceptions, they will not sell, directly or indirectly, any common stock without the prior consent of Merrill Lynch & Co. for a period of 180 days from the date of this prospectus.

The number of restricted securities that will be available for sale in the public market, subject in some cases to the volume limitations and other restrictions of Rule 144, will be as follows:

- approximately shares will be eligible for immediate sale as of the date of this prospectus; and
- approximately additional shares will be eligible for sale beginning 180 days after the date of this prospectus upon expiration of the lock-up agreements described above.

Shares issued upon exercise of options granted by us prior to the date of this prospectus will be available for sale in the public market under Rule 701 of the Securities Act. Rule 701 permits resales of these shares in reliance upon Rule 144 but without compliance with various restrictions, including the holding period requirement, imposed under Rule 144. In general, under Rule 144, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares not to exceed the greater of (1) one percent of the then outstanding shares of common stock or (2) the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale. Sales under Rule 144 are also subject to manner of sale and notice requirements, as well as to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

As of March 31, 2004, options to purchase an aggregate of 3,511,263 shares of common stock were outstanding under our stock option plans. We intend to file registration statements on Form S-8 under the Securities Act approximately 90 days after the date of this prospectus to register an aggregate of 3,500,000 shares of common stock issued or reserved for issuance under its stock option plans and employee stock purchase plan. Shares of common stock issued under the foregoing plans, after the filing of related registration statements, will be freely tradable in the public market, subject in the case of the holders to the Rule 144 limitations applicable to our affiliates, lock-up agreements with the underwriters and vesting restrictions imposed by us.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Needham & Company, Inc., Friedman, Billings, Ramsey & Co., Inc. and C.E. Unterberg, Towbin LLC are acting as representatives of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the selling stockholders, the number of shares listed opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Needham & Company, Inc.	
Friedman, Billings, Ramsey & Co., Inc.	
C.E. Unterberg, Towbin LLC	
Total	

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that they propose initially to offer the shares to the public at the initial public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to GSI Technology, Inc.	$	$	$
Proceeds, before expenses, to Selling Stockholders	$	$	$

The total expenses of the offering, not including the underwriting discount, are estimated at $ million and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We and the selling stockholders, our executive officers and directors and substantially all of our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other persons have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- otherwise dispose of or transfer any common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of common stock or other securities, in cash or otherwise.

Quotation on the Nasdaq National Market

We have applied to list our common stock for quotation on the Nasdaq National Market under the symbol "GSIT."

Before this offering, there has been no public market for our common stock. The public offering price will be determined through negotiations among us, the selling stockholders and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our past and present operations, and the prospects for, and timing of, our future revenues;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price. The underwriters do not expect to sell more than five percent of the shares being offered in this offering to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, Securities and Exchange Commission rules may limit the underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

The underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issuer in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common shares made by the underwriters in the open market prior to the completion of the offering.

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

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the representatives make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet Web site maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch Web site is not part of this prospectus.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Gray Cary Ware & Freidenrich LLP, Palo Alto, California. Certain legal matters relating to the offering will be passed upon for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The financial statements as of March 31, 2003 and 2004 and for each of the three years in the period ended March 31, 2004 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT GSI TECHNOLOGY

We have filed with the SEC a registration statement on Form S-1, including the exhibits and schedules thereto, under the Securities Act with respect to the shares to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information about us and the shares to be sold in this offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to, are not necessarily complete, and in each instance please refer to the copy of the contract, agreement or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by this reference.

You may read and copy all or any portion of the registration statement or any reports, statements or other information we file with the SEC at the SEC's Public Reference Room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Upon completion of this offering, we will be subject to the informational requirements of the Securities Exchange Act of 1934 and will file annual, quarterly and current reports as well as proxy statements and other information with the SEC. Our SEC filings, including the registration statement will also be available to you on the SEC's Web site. The address of this site is *http://www.sec.gov*.

GSI TECHNOLOGY, INC.
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of GSI Technology, Inc. (formerly Giga Semiconductor, Inc.)

The reincorporation in Delaware described in Note 13 to the financial statements has not been consummated at May 25, 2004. When the reincorporation in Delaware has been consummated, we will be in a position to furnish the following report:

"In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of GSI Technology, Inc. (formerly Giga Semiconductor, Inc.) at March 31, 2003 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

San Jose, California
May 14, 2004, except as to Note 13, which is as of , 2004"

/s/ PricewaterhouseCoopers LLP

San Jose, California
May 25, 2004

GSI TECHNOLOGY, INC.

BALANCE SHEETS

(In thousands, except share amounts)

	March 31,		Pro Forma Redeemable Convertible Preferred Stock and Stockholders' Equity as of March 31, 2004
	2003	2004	
			(unaudited)
ASSETS			
Cash and cash equivalents	$ 6,150	$ 3,488	
Restricted cash	1,143	1,151	
Accounts receivable, net	2,541	7,372	
Inventories	7,581	14,825	
Prepaid expenses and other current assets	3,379	1,589	
Total current assets	20,794	28,425	
Property and equipment, net	2,939	2,403	
Other assets	70	71	
Total assets	$ 23,803	$ 30,899	
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY			
Accounts payable	$ 957	$ 4,597	
Accrued expenses and other liabilities	700	2,667	
Deferred revenue	1,443	3,009	
Total current liabilities	3,100	10,273	
Commitments and contingencies (Note 6)			
Redeemable convertible preferred stock Authorized: 20,000,000 shares Issued and outstanding: 15,120,168 shares Liquidation preference: $9,007	9,007	9,007	$ —
Stockholders' equity:			
Preferred stock: $0.001 par value Authorized: 5,000,000 shares Issued and outstanding: none	—	—	—
Common Stock: $0.001 par value Authorized: 150,000,000 shares Issued and outstanding: 5,630,125, 6,069,550 and 21,189,718 (unaudited) shares	6	6	21
Additional paid-in capital	5,830	6,244	15,236
Deferred stock-based compensation	(531)	(352)	(352)
Retained earnings	6,391	5,721	5,721
Total stockholders' equity	11,696	11,619	$ 20,626
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 23,803	$ 30,899	

The accompanying notes are an integral part of these financial statements.

GSI TECHNOLOGY, INC.

STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended March 31,		
	2002	2003	2004
Net revenues	$ 24,826	$ 20,981	$ 35,419
Cost of revenues	19,133	18,477	26,619
Gross profit	5,693	2,504	8,800
Operating expenses:			
Research and development	4,848	6,206	5,500
Selling, general and administrative	4,883	4,500	4,152
Total operating expenses	9,731	10,706	9,652
Income (loss) from operations	(4,038)	(8,202)	(852)
Interest income, net	685	139	58
Other income (expense), net	94	5	124
Income (loss) before income taxes	(3,259)	(8,058)	(670)
Provision for (benefit from) income taxes	(1,190)	(620)	—
Net income (loss)	$ (2,069)	$ (7,438)	$ (670)
Basic net income (loss) per share	$ (0.44)	$ (1.39)	$ (0.12)
Diluted net income (loss) per share	$ (0.44)	$ (1.39)	$ (0.12)
Weighted-average number of shares used in basic net income (loss) per share calculation	4,713	5,334	5,664
Weighted-average number of shares used in diluted net income (loss) per share calculation	4,713	5,334	5,664
Pro forma basic and diluted net loss per share (unaudited)			$ (0.03)
Weighted-average number of shares used in pro forma basic and diluted net loss per share calculation (unaudited)			20,784

The accompanying notes are an integral part of these financial statements.

GSI TECHNOLOGY, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Deferred Stock-Based Compensation	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2001	4,584,075	$ 5	$ 5,796	$ (3,036)	$ 15,898	$ 18,663
Issuance of Common Stock upon exercise of stock options	411,800	—	55	—	—	55
Deferred stock-based compensation	—	—	(6)	6	—	—
Amortization of deferred stock-based compensation	—	—	—	1,384	—	1,384
Net loss and comprehensive loss	—	—	—	—	(2,069)	(2,069)
Balance, March 31, 2002	4,995,875	5	5,845	(1,646)	13,829	18,033
Issuance of Common Stock upon exercise of stock options	626,250	1	75	—	—	76
Issuance of Common Stock to consultant for services	8,000	—	30	—	—	30
Deferred stock-based compensation	—	—	(120)	120	—	—
Amortization of deferred stock-based compensation	—	—	—	995	—	995
Net loss and comprehensive loss	—	—	—	—	(7,438)	(7,438)
Balance, March 31, 2003	5,630,125	6	5,830	(531)	6,391	11,696
Issuance of Common Stock upon exercise of stock options	439,425	—	65	—	—	65
Deferred stock-based compensation	—	—	349	(349)	—	—
Amortization of deferred stock-based compensation	—	—	—	528	—	528
Net loss and comprehensive loss	—	—	—	—	(670)	(670)
Balance, March 31, 2004	6,069,550	$ 6	$ 6,244	$ (352)	$ 5,721	$ 11,619

The accompanying notes are an integral part of these financial statements.

GSI TECHNOLOGY, INC.

STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended March 31,		
	2002	2003	2004
Cash flows from operating activities:			
Net income (loss)	$ (2,069)	$ (7,438)	$ (670)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Provision for doubtful accounts and returns	114	(241)	267
Provision for inventories	3,895	—	846
Depreciation and amortization	835	1,080	1,009
Stock-based compensation	1,384	995	528
Compensation expense for common stock issued to consultant for services	—	30	—
Deferred income taxes	(440)	2,490	—
Changes in assets and liabilities:			
Accounts receivable	6,166	88	(5,098)
Inventory	6,923	5,184	(8,090)
Prepaid expenses and other assets	162	(1,132)	1,789
Accounts payable	(11,648)	(1,651)	3,640
Accrued expenses and other liabilities	(2,850)	(373)	1,967
Deferred revenue	(2,283)	(340)	1,566
Net cash (used in) provided by operating activities	189	(1,308)	(2,246)
Cash flows from investing activities:			
Decrease (increase) in restricted cash	10	—	(8)
Purchases of property and equipment	(398)	(1,952)	(473)
Net cash used in investing activities	(388)	(1,952)	(481)
Cash flows from financing activities:			
Proceeds from issuance of Common Stock	55	76	65
Net cash provided by financing activities	55	76	65
Net increase (decrease) in cash and cash equivalents	(144)	(3,184)	(2,662)
Cash and cash equivalents at beginning of the year	9,478	9,334	6,150
Cash and cash equivalents at end of the year	$ 9,334	$ 6,150	$ 3,488
Supplemental cash flow information:			
Cash paid for income taxes	$ 1,719	$ 67	$ 6
Cash paid for interest	$ 20	$ 8	$ 8

The accompanying notes are an integral part of these financial statements.

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

GSI Technology, Inc., formerly Giga Semiconductor, Inc., (the "Company") was incorporated in California in March 1995. The Company designs, develops and markets high performance SRAM, or static random access memory, integrated circuits for the networking and telecommunications infrastructure markets. Within the SRAM market, the Company focuses on higher speed integrated circuits that require less than 5 nanoseconds to retrieve data from memory. The Company provides a broad range of SRAM solutions that target high performance equipment, such as routers, switches, wireless local area network infrastructure equipment, wireless base stations and networking access equipment.

The level of operations of the Company is dependent on the supply of wafers it is able to procure from foundries. The testing, assembly and packaging activity is carried out by subcontractors primarily based in Taiwan.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

Risk and uncertainties

The Company buys all of its wafers, an integral component of its products, from outside suppliers and is dependent on third party subcontractors to assemble and test products. During the years ended March 31, 2002, 2003 and 2004, all of the Company's wafers were supplied by two foundries. If these suppliers fail to satisfy the Company's requirements on a timely basis at competitive prices the Company could suffer manufacturing delays, a possible loss of revenues, or higher cost of revenues any of which could severely adversely affect operating results.

A majority of the Company's revenues come from sales to customers in the networking and telecommunication industries. A decline in demand in these industries could have a material adverse affect on the Company's operating results and financial condition.

Because much of the manufacturing and testing of the Company's products is conducted in Taiwan, its business performance may be affected by changes in Taiwan's political, social and economic environment. For example, any political instability resulting from the relationship among the United States, Taiwan and the People's Republic of China could damage the Company's business. Moreover, the role of the Taiwanese government in the Taiwanese economy is significant. Taiwanese policies toward economic liberalization, and laws and policies affecting technology companies, foreign investment, currency exchange rates, taxes and other matters could change, resulting in greater restrictions on the Company's and its suppliers' ability to do business and operate facilities in Taiwan. If any of these risks were to occur, the Company's business could be harmed.

The Company's corporate headquarters are located in California near major earthquake faults. In addition, some of the Company's suppliers are located near fault lines. In the event of a major earthquake or other natural disaster near the Company's headquarters or its suppliers the Company's business could be harmed.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured. Under these criteria, revenue from the sale of products is recognized upon shipment according to the Company's shipping terms, net of accruals for estimated sales returns and allowances based on historical experience. Sales to distributors are made under agreements allowing for returns or credits under certain circumstances. The Company defers recognition of revenue on sales to distributors until products are resold by the distributor.

Cash and cash equivalents

Cash and cash equivalents include cash in demand accounts and highly liquid investments purchased with an original maturity of three months or less. Cash equivalents consist of money-market funds, stated at cost, which approximates their fair market value.

Restricted cash

At March 31, 2003 and 2004, restricted cash consists of certificates of deposit totaling $1,000,000 held with a financial institution as collateral for the Company's line of credit, and $143,000 and $151,000, respectively, held with a Taiwan financial institution as security for any possible default of payment by the Company to its major supplier of wafers.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable. The Company places its cash primarily in checking, certificate of deposit, and money market accounts with reputable financial institutions. The Company's accounts receivable are derived primarily from revenue earned from customers located in the U.S. and Asia. The Company performs ongoing credit evaluation of its customer's financial condition and, generally, requires no collateral from its customers. The Company maintains an allowance for doubtful accounts receivable based upon the expected collectibility of accounts receivable. The Company's write offs of accounts receivable were $31,000, $149,000 and $49,000 for the years ended March 31, 2002, 2003 and 2004, respectively.

In fiscal 2002, 2003 and 2004, sales to the Company's top 10 customers accounted for approximately 74%, 81% and 84% of net revenues, respectively. At March 31, 2002, three customers accounted for 20%, 14% and 11% of accounts receivable, and for the year then ended, two customers accounted for 19% and 12% of net revenues. At March 31, 2003, three customers accounted for 17%, 15%, and 10% of accounts receivable, and for the year then ended, four customers accounted for 21%, 13%, 10%, and 10% of net revenues. At March 31, 2004, three customers accounted for 17%, 17% and 15% of accounts receivable and for the year then ended three customers accounted for 27%, 18% and 14% of net revenues.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on a weighted average basis. Inventory reserves are established when conditions indicate that the selling price could be less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are established for excess inventory generally based on inventory levels in excess of 12 months of demand, as judged by management, for each specific product.

During the quarter ended March 31, 2003, the Company returned approximately $2.8 million of product to our subcontract manufacturer in exchange for a $2.1 million credit. The difference of $700,000 was charged to cost of revenue during that quarter.

Prior to the year ended March 31, 2002, in anticipation of increasing demand for our products, the Company placed significant purchase orders with our foundries to manufacture networking and telecommunications products, and received ordered products throughout the year ended March 31, 2002. Toward the end of year ended March 31, 2002, as a result of the downturn in the networking and telecommunications markets and the semiconductor industry as a whole, the market prices for some of the Company's products decreased significantly compared with the prior periods. As a result of these price declines, our cost per unit exceeded the sales price per unit. Accordingly, we reduced the carrying value of these products to their estimated market price, less costs to dispose, resulting in charge of $3.9 million to cost of revenues during the year ended March 31, 2002.

In addition, during the year ended March 31, 2004, the Company recorded reserves for excess, obsolescence and other inventory related matters aggregating $846,000.

Property and equipment, net

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as presented below:

Software	3 years
Hardware and equipment	5 years
Furniture and fixtures	7 years

Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the remaining lease term of the respective assets, if shorter than the expected useful life. Gains or losses on disposals of property and equipment are recorded in income. Costs of repairs and maintenance are typically included as part of operating expenses unless they are incurred in relation to major improvements to existing property and equipment, at which time they are capitalized.

Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the assets is less than the net book value of the asset. The amount of the impairment loss, if any, will generally be measured as the difference between net book value of the assets and their estimated fair values. There have been no recoverability issues for the years ended March 31, 2002, 2003 and 2004.

Income taxes

The Company accounts for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Advertising expense

Advertising costs are charged to expense in the period incurred. Advertising expense was $79,000, $70,000 and $4,000 for the years ended March 31, 2002, 2003 and 2004, respectively.

Accounting for stock-based compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). Under APB 25, compensation expense is based on the difference, if any, on the date of the grant, between the fair value of the Company's shares and the exercise price of the option.

Had compensation cost for the Company's stock-based compensation plan been determined based on the fair value at the grant dates for the awards under a method prescribed by SFAS 123 and amended by SFAS 148, the Company's net loss would have increased to the pro forma amounts indicated below (in thousands, except per share amounts):

		Year Ended March 31,		
		2002	2003	2004
Net income (loss), as reported		$ (2,069)	$ (7,438)	$ (670)
Add:	Stock-based employee compensation expense included in reported net loss, net of related tax effects	1,384	995	528
Deduct:	Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(2,381)	(2,113)	(1,941)
Pro forma net income (loss)		$ (3,066)	$ (8,556)	$ (2,083)
Basic net income (loss) per share, as reported		$ (0.44)	$ (1.39)	$ (0.12)
Diluted net income (loss) per share, as reported		$ (0.44)	$ (1.39)	$ (0.12)
Pro forma basic net income (loss) per share		$ (0.65)	$ (1.60)	$ (0.37)
Pro forma diluted net income (loss) per share		$ (0.65)	$ (1.60)	$ (0.37)

For the purposes of the pro forma disclosures, the Company calculated the fair value of each option grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	Year Ended March 31,		
	2002	2003	2004
Risk-free interest rate	4.56%	3.82%	2.97%
Expected life	5.02 years	4.45 years	4.48 years
Volatility	80%	85%	80%
Dividend yield	0%	0%	0%

The weighted average fair value of options granted during the year ended March 31, 2002, 2003 and 2004 was $3.63, $2.70 and $1.53, respectively.

Net income (loss) per share

Basic income (loss) per common share is computed using the weighted average number of shares of common stock outstanding during the year. Diluted income per share is computed using the weighted average number of shares of common stock, adjusted for the dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method or the if-converted method, includes options, redeemable convertible preferred stock and unvested shares subject to repurchase.

The following table sets forth the computation of basic and diluted net income (loss) attributable to common stockholders per share (in thousands, except per share amounts).

	Year Ended March 31,		
	2002	2003	2004
Numerator:			
Net income (loss)	$ (2,069)	$ (7,438)	$ (670)
Denominator:			
Weighted-average common shares outstanding	4,953	5,454	5,664
Less: Unvested common shares subject to repurchase	(240)	(120)	—
Total shares, basic	4,713	5,334	5,664
Effect of dilutive securities:			
Add: Redeemable convertible preferred stock, using if-converted method	—	—	—
Stock options, using treasury stock method	—	—	—
Total shares, diluted	4,713	5,334	5,664
Basic net income (loss) per share	$ (0.44)	$ (1.39)	$ (0.12)
Diluted net income (loss) per share	$ (0.44)	$ (1.39)	$ (0.12)

For the years ended March 31, 2002, 2003 and 2004, common stock equivalents of approximately 17.3 million, 16.7 million and 16.8 million shares, respectively, related to outstanding redeemable convertible preferred stock, stock options and unvested shares subject to repurchase, were excluded from the computation of diluted loss per share as a result of their antidilutive effect. While these common stock equivalents are currently antidilutive, they could be dilutive in the future.

Unaudited pro forma information

Upon closing of the planned initial public offering, each of the outstanding shares of redeemable convertible preferred stock will convert into shares of common stock. The unaudited pro forma balance sheet and the unaudited pro forma basic and diluted net income (loss) per share reflect the conversion of all of the outstanding shares of redeemable convertible preferred stock into shares of common stock. The unaudited pro forma balance sheet does not give effect to the offering proceeds.

The weighted average number of shares used in the unaudited pro forma basic and diluted net loss per share calculation for the year ended March 31, 2004 was computed as 5,664,000 weighted average common shares outstanding plus 15,120,000 shares of common stock equivalents from conversion of the preferred stock.

Comprehensive income

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income is defined to include all changes in equity during a period except those resulting from investments by owners and distributions to owners. For the years ended March 31, 2002, 2003 and 2004, there were no components of other comprehensive income.

Recent accounting pronouncements

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company believes that the adoption of this standard will not have a material impact on its financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a reconciliation of changes in the entity's product warranty liabilities. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements of FIN 45 are effective for annual financial statements ending after December 15, 2002. Significant guarantees that the Company has entered into are disclosed in Note 6 Commitments and Contingencies.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation, Transition and Disclosure" ("SFAS 148"). SFAS 148

provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also requires that disclosures of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in a tabular format. Additionally, SFAS 148 requires disclosure of the pro forma effect in interim financial statements. The transition and annual disclosure requirements of SFAS 148 are effective for fiscal years ended after December 15, 2002. The Company has adopted the disclosure requirements of SFAS 148 as of March 31, 2003.

Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), was issued in January 2003. FIN 46 requires that if an entity is the primary beneficiary of a variable interest entity, the assets, liabilities and results of operations of the variable interest entity should be included in the financial statements of the entity. The provisions of FIN 46 are effective immediately for all arrangements entered into after January 31, 2003. The Company has not invested in any variable interest entities prior to or after January 31, 2003 and as such, there is no impact to the financial statements expected.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and further requires that an issuer classify as a liability (or an asset in some circumstances) financial instruments that fall within its scope because that financial instrument embodies an obligation of the issuer. Many such instruments were previously classified as equity. The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. For mandatorily redeemable financial instruments of a nonpublic entity, this Statement is effective for existing or new contracts for fiscal periods beginning after December 15, 2003. The Statement is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance of the date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The adoption of this statement did not have a material impact on our financial statements.

NOTE 2—BALANCE SHEET DETAIL (In thousands)

	March 31,	
	2003	2004
Accounts receivable, net:		
Accounts receivable	$ 2,977	$ 8,075
Less: Allowance for doubtful accounts	(159)	(110)
Reserve for sales returns and other allowances	(277)	(593)
	$ 2,541	$ 7,372
Inventories:		
Finished goods	$ 803	$ 2,526
Work-in-progress	5,901	10,874
Inventory at distributors	877	1,425
	$ 7,581	$ 14,825

Prepaid expenses and other current assets:		
Income tax receivable	$ 2,189	$ —
Prepaid tooling and masks	456	729
Receivable from subcontractor	394	—
Prepaid IPO fees	—	225
Other prepaid expenses	340	635
	$ 3,379	$ 1,589
Property and equipment, net:		
Computer and other equipment	$ 4,257	$ 4,656
Software	1,194	1,194
Furniture and fixtures	336	344
Leasehold improvements	157	223
	5,944	6,417
Less: Accumulated depreciation and amortization	(3,005)	(4,014)
	$ 2,939	$ 2,403

	March 31,	
	2003	2004
Accrued expenses and other liabilities:		
Accrued compensation	$ 136	$ 177
Accrued professional fees	201	432
Accrued commissions	163	340
Accrued royalties	27	49
Accrued income taxes	—	1,481
Other accrued expenses	173	188
	$ 700	$ 2,667

NOTE 3—RELATED PARTY TRANSACTIONS

Together, HolyStone Enterprises Co. Ltd., its subsidiaries, and its Chief Executive Officer, who is also a director of the Company, hold approximately 37% of the outstanding shares of Series A Redeemable Convertible Preferred Stock, 38% of the outstanding shares of Series B Redeemable Convertible Preferred Stock and 18% of the outstanding shares of Series D Redeemable Convertible Preferred Stock as of March 31, 2003 and 2004. The Company has made sales of $273,000, $324,000 and $1,001,000 to HolyStone Enterprises Co. Ltd. during the years ended March 31, 2002, 2003 and 2004, respectively.

The Company has a receivable balance of $83,000 and $141,000 from HolyStone Enterprises Co. Ltd. at March 31, 2003 and 2004, respectively.

NOTE 4—INCOME TAXES

The income tax expense (benefit) consists of the following (in thousands):

	Year Ended March 31,		
	2002	2003	2004
Current:			
U.S. federal	$ (690)	$ (2,740)	$ —
State	(60)	(370)	—
	(750)	(3,110)	—
Deferred:			
U.S. federal	(169)	2,062	—
State	(271)	428	—
	(440)	2,490	—
	$ (1,190)	$ (620)	$ —

The income tax expense (benefit) differs from the amount of income tax determined by applying the applicable U.S. statutory income tax rate to pre-tax income as follows (in thousands):

	Year Ended March 31,		
	2002	2003	2004
U.S. Federal taxes at statutory rate	$ (1,108)	$ (2,740)	$ (228)
State taxes, net of federal benefit	(121)	(307)	61
Stock-based compensation	471	338	179
Tax credits	(472)	(78)	(220)
Valuation allowance	—	2,480	(782)
Other	40	(313)	990
	$ (1,190)	$ (620)	$ —

Deferred tax assets and liabilities consist of the following (in thousands):

	March 31,	
	2003	2004
Deferred tax assets:		
Deferred revenue	$ 216	$ 591
Tax credits	805	863
Net operating losses	164	73
Other reserves and accruals	1,717	393
	2,902	1,920
Deferred tax liabilities:		
Property and equipment	(422)	(222)
Net deferred tax assets	2,480	1,698
Valuation allowance	(2,480)	(1,698)
	$ —	$ —

The Company's federal and state research tax credit carryforwards for income tax purposes are approximately $360,000 and $658,000, respectively, as of March 31, 2004. As of March 31, 2004, if not utilized, the federal tax credit carryforwards will begin to expire in 2023. The Company also has approximately $104,000 in Manufacturer's Investment Credit carryforwards as of March 31, 2004. State credits carryforward indefinitely.

The internal revenue code limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in the stock ownership of a Company. In the event the Company has had a change in ownership, utilization of the carryforwards could be restricted.

Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of the deferred tax assets such that a full valuation allowance has been recorded. These factors include the Company's history of losses, the fact that the market in which the Company competes is intensely competitive and characterized by rapidly changing technology and the lack of carryback capacity to realize deferred tax assets. Based on the currently available evidence, management is unable to assert that it is more likely than not that the Company will generate sufficient taxable income to realize the Company's deferred tax assets. The Company will continue to assess the realizability of the deferred tax assets based on actual and forecasted operating results.

NOTE 5—BORROWINGS

At March 31, 2004, the Company had a line of credit with Chiao Tung Bank, which expired on May 9, 2004. The line of credit has subsequently been renewed until May 9, 2005. The line of credit provides for borrowings of up to $4,000,000 which are collateralized by a certificate of deposit of $1,000,000, certain accounts receivable balances and finished goods inventory. Borrowing is limited to $1,000,000 plus 70% of eligible United States accounts receivable balances and 35% of finished goods inventory with a sublimit of $500,000 for inventory. The terms of the line of credit include various covenants, the more restrictive of which requires the Company to maintain a working capital ratio of not less than 1.5 to 1, a tangible net worth, including redeemable convertible preferred stock, of not less than $15,000,000 and a debt to net worth ratio of less than 2 to 1. The Company's agreement with Chiao Tung Bank contains a negative covenant which precludes the Company from declaring dividends, other than dividends payable in stock, without the prior written consent of Chiao Tung Bank.

The first $1,000,000 of borrowings bear interest at the bank's reference rate (4.00% at March 31, 2004). Borrowings in excess of $1.0 million bear interest at the bank's reference rate plus 1.00%. No amounts were outstanding under the line of credit at March 31, 2003 or 2004.

NOTE 6—COMMITMENTS AND CONTINGENCIES

Operating leases

The Company leases office space and equipment under noncancelable operating leases with various expiration dates through May 2010. Rent expense for the years ended March 31, 2002, 2003 and 2004 was $537,000, $567,000 and $568,000, respectively. The terms of the facility lease provide for rental payments on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid. In May 2004, the Company extended its lease for its headquarters in Santa Clara, from June 2004 to May 2010.

Future minimum lease payments under noncancelable operating leases with remaining lease terms in excess of one year are as follows (in thousands):

Year Ending March 31,	Operating Leases
2005	$ 385
2006	262
2007	258
2008	266
2009	273
Thereafter	329
Total	$ 1,773

In addition, in April 2004 the Company entered into a three month operating lease to use testing equipment from April 2004 to June 2004. The total future minimum lease payments arising from this lease are $336,000.

Royalty obligation

The Company has license agreements to pay royalties on sale of products using the licensed technology through fiscal year 2007. Royalty expense for the years ended March 31, 2002, 2003 and 2004 was $200,000, $114,000 and $154,000, respectively.

Indemnification obligations

The Company is a party to a variety of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in the context of contracts entered into by the Company, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants related to such matters as title to assets sold and certain intellectual property rights. In each of these circumstances, payment by the Company is conditioned on the other party making a claim pursuant to the procedures specified in the particular contract, which procedures typically allow the Company to challenge the other party's claims. Further, the Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by it under these agreements.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements did not have a material effect on its business, financial condition, cash flows or results of operations. The Company believes that if it were to incur a loss in any of these matters, such loss should not have a material effect on its business, financial condition, cash flows or results of operations.

Product warranties

The Company estimates its warranty costs based on historical warranty claim experience and applies this estimate to the revenue stream for products under warranty. These costs are included in cost of revenues when incurred and were not significant for the years ended March 31, 2002, 2003 and 2004.

NOTE 7—REDEEMABLE CONVERTIBLE PREFERRED STOCK

Redeemable convertible preferred stock at March 31, 2003 and 2004 consisted of the following (in thousands, except share data):

	Shares Designated, Issued and Outstanding	Liquidation Amount
Series A	4,350,000	$ 870
Series B	7,260,000	2,722
Series C	253,500	254
Series D	3,136,668	4,705
Series E	120,000	456
	15,120,168	$ 9,007

Exchange of Common Stock for Redeemable Convertible Preferred Stock

In February 2000, based upon stockholders' approval, the Company exchanged 10,650,168 shares of Common Stock for 7,260,000 shares of Series B Preferred Stock, 253,500 shares of Series C Preferred Stock and 3,136,668 shares of Series D Preferred Stock.

The holders of Redeemable Convertible Preferred Stock have various rights and preferences as follows:

Voting

The holders of any series of Redeemable Convertible Preferred Stock will have the same voting rights as a holder of the Common Stock.

In every vote for the election of directors, each holder of shares of Redeemable Convertible Preferred Stock shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which such shares of Redeemable Convertible Preferred Stock could be converted pursuant to conversion at the record date for the determination of the stockholders entitled to vote in the election or, if no such record date is established, the date such vote is taken or any written consent of stockholders is solicited.

Dividends

Holders of Series A, B, C, D and E Redeemable Convertible Preferred Stock are entitled to receive noncumulative dividends at the per annum rate of $0.02, $0.0375, $0.10, $0.15 and $0.38 per share, respectively, when and if declared by the Board of Directors. No dividends on Redeemable Convertible Preferred Stock or Common Stock have been declared by the Board of Directors from inception through March 31, 2004.

Liquidation

In the event of a liquidation, dissolution or winding up of the Company, including a merger or consolidation in which its stockholders do not retain a majority of the voting power in the surviving corporation, or a sale of substantially all assets, the funds and assets of the Company shall be legally distributed to the Redeemable Convertible Preferred Stockholders of Series A, B, C, D and E in an

amount per share equal to the original price of such series which is $0.20, $0.375, $1.00, $1.50 and $3.80, respectively, plus all declared but unpaid dividends of such share of such series of Redeemable Convertible Preferred Stock. Then, prior and in preference to any further distribution to the Redeemable Convertible Preferred Stockholders, each Common Stockholder shall be entitled to receive a maximum of $0.02 per share for each share of Common Stock then held. In addition to the above, holders of Series A, B, C, D and E Redeemable Convertible Preferred Stock shall receive any available funds and assets remaining after payment, or distribution or setting aside, to the holders of Redeemable Convertible Preferred Stock and Common Stock of their full preferential amounts. Such remaining available funds and assets shall be distributed among the holders of the Common Stock and the Redeemable Convertible Preferred Stock in proportion to the shares of Common Stock held by them and the shares of Common Stock which they then have the right to acquire upon conversion of shares of Redeemable Convertible Preferred Stock then held by them.

Should the Company's legally available assets be insufficient to satisfy the liquidation preferences, the funds will be distributed among the then outstanding holders of Series A, B, C, D and E Redeemable Convertible Preferred Stock, on a equal priority and *pari passu* basis according to their liquidation preferences.

Conversion

Each Share of Series A, B, C, D and E Redeemable Convertible Preferred Stock shall be convertible, at the option of the holder, according to a conversion ratio of 1 to 1, subject to adjustment for dilution, into the Company's Common Stock. Each share of Series A, B, C, D and E Redeemable Convertible Preferred Stock automatically converts into fully paid nonassessable shares of Common Stock into which such shares are convertible at the then effective conversion ratio upon the closing of a firm commitment underwritten public offering pursuant to an effective registration statement filed under the Securities Act of 1933 covering the offer and sale of common stock for the account of the Company, other than a registration relating solely to a transaction under Rule 145 under the Act or to an employee benefit plan of the Company, in which the aggregate public offering price (before deduction of underwriters discounts and commission) equals or exceeds $10,000,000 and the public offering price per share of which equals or exceeds $8.00 per share before deduction of underwriters' discounts and commissions.

NOTE 8—COMMON STOCK

The Company's Articles of Incorporation, as amended, authorize the Company to issue 30,000,000 shares of $0.001 par value Common Stock.

NOTE 9—STOCK OPTION PLAN

In 1997, the Company adopted the 1997 Stock Plan (the "Plan"). The Plan provides for the granting of stock options and stock purchase rights to employees and consultants of the Company. Options granted under the Plan may be either incentive stock options or nonstatutory stock options. Incentive stock options ("ISO") may be granted only to Company employees (including officers and directors who are also employees). Nonqualified stock options ("NSO") may be granted to Company employees and consultants. The Company has reserved 8,450,000 shares of Common Stock for issuance under the Plan.

In February 2001, the Company adopted the 2000 stock option plan (the "2000 plan"). The plan provides for the granting of stock options and stock purchase rights to employees, consultants and

directors of the Company. (Options granted under the plan may be either incentive stock options or nonstatutory stock options.) Incentive stock options ("ISO") may be granted only to Company employees (including officers and directors who are also employees). Nonqualified stock options ("NSO") may be granted to Company employees and consultants. The Company has reserved 3,000,000 shares of Common Stock for issuance under the 2000 plan.

In February 2001, the Company also elected to terminate the 1997 plan. The termination of the 1997 plan included the provisions that no further options shall be granted under the 1997 plan. However, the outstanding options and the shares issued upon exercise of the options granted under the 1997 Plan shall continue to be governed by the terms and conditions of the 1997 plan. All 2,748,298 shares not granted as of the adoption of the 2000 plan were cancelled.

Options under both Plans may be granted for periods of up to ten years, however in the case of ISOs granted to an optionee who, at the time the option is granted, owns stock representing more than 10% of the voting power of all classes of stock of the Company, the term of the option shall be 5 years from the date of grant. The exercise price of an ISO and NSO shall not be less than 100% and 85% of the estimated fair value of the shares as determined by the Board of Directors on the date of grant, respectively, however the exercise price of an ISO and NSO granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the shares on the date of grant, respectively. To date, the initial options granted to each person generally vest 25% on the first anniversary and subsequent anniversaries of the date of grant.

Stock purchase rights under the Plan may be granted to employees and consultants and gives the grantee the right to purchase common stock at a certain price within a limited period of time. On exercise of a stock purchase right, the Company receives a right to repurchase the Common Stock at the original purchase price which expires over a vesting period of usually four years.

	Shares Available for Grant	Number of Options Outstanding	Exercise Price	Weighted Average Exercise Price
Balance at March 31, 2001	2,780,500	3,637,127	$ 0.04-0.15	$ 1.23
Granted	(562,993)	562,993	5.40	5.40
Exercised	—	(411,800)	0.04-2.00	0.13
Cancelled	200	(207,950)	0.15-5.40	3.00
Balance at March 31, 2002	2,217,707	3,580,370	0.04-5.40	1.91
Granted	(142,600)	142,600	4.00-5.40	4.08
Exercised	—	(626,250)	0.04-2.00	0.12
Cancelled	33,375	(106,375)	0.15-5.40	2.83
Balance at March 31, 2003	2,108,482	2,990,345	0.04-5.40	2.36
Granted	(1,053,043)	1,053,043	2.10-4.70	2.50
Exercised	—	(439,425)	0.04-0.15	0.15
Cancelled	72,400	(92,700)	0.15-5.40	4.33
Balance at March 31, 2004	1,127,839	3,511,263	$ 0.04-5.40	$ 2.63

The options outstanding and by exercise price at March 31, 2004 are as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Vested and Exercisable	Weighted Average Exercise Price
$0.04	29,000	$ 0.04	3.63	29,000	$ 0.04
$0.15	654,300	$ 0.15	5.15	654,300	$ 0.15
$2.00	827,702	$ 2.00	6.02	710,608	$ 2.00
$2.10	796,267	$ 2.10	9.29	86,891	$ 2.10
$3.50	225,476	$ 3.50	9.70	—	$ —
$3.80	74,000	$ 3.80	6.32	55,500	$ 3.80
$4.00	92,400	$ 4.00	8.36	23,100	$ 4.00
$4.70	13,000	$ 4.70	9.88	—	$ —
$5.40	799,118	$ 5.40	7.16	387,318	$ 5.40
	3,511,263			1,946,717	

Stock-based compensation

The Company recorded deferred stock-based compensation due to issuances of stock options below the fair market value at the time, which is being recognized over the vesting period of the related stock options on a straight-line basis. The Company has reversed deferred stock-based compensation of $6,000 and $120,000 during the years ended March 31, 2002 and 2003, respectively, due to forfeitures resulting from termination of employment. Future compensation charges are subject to reduction for any employee who terminates employment prior to the expiration of such employee's option vesting period. Unamortized deferred stock-based compensation was $531,000 and $352,000 at March 31, 2003 and 2004, respectively.

The Company recognized $1,384,000, $995,000 and $528,000 of stock-based compensation expense for the years ended March 31, 2002, 2003 and 2004, respectively, as follows (in thousands):

	Year Ended March 31,		
	2002	2003	2004
Cost of revenues	$ 474	$ 299	$ 74
Research and development	615	563	387
Selling, general and administrative	295	133	67
Total	$ 1,384	$ 995	$ 528

During the year ended March 31, 2003, the Company granted 8,000 options to a consultant in exchange for services performed during that year. The Company calculated fair value of those options to be $30,000 using the Black-Scholes option pricing model and the following assumptions: risk free interest rate of 3.82%; expected life of 4.45 years; volatility of 85%; and dividend yield of 0%. Stock based compensation expense of $30,000 related to these options was recognized during the year ended March 31, 2003.

NOTE 10—SEGMENT AND GEOGRAPHIC INFORMATION

The Company has adopted Statement of Financial Accounting Standards No. 131 "Disclosure about Segments of an Enterprise and Related Information" ("SFAS 131"). Based on its operating management and financial reporting structure, the Company has determined that it has one reportable business segment: the design, development and sale of integrated circuits.

The following is a summary of net revenue by geographic area based on the location to which product is shipped (in thousands):

	Year Ended March 31,		
	2002	2003	2004
United States	$ 15,981	$ 10,999	$ 16,051
China	2,114	6,848	8,077
Malaysia	507	56	6,942
Rest of the world	6,224	3,078	4,349
	$ 24,826	$ 20,981	$ 35,419

All sales are denominated in United States dollars.

The locations and net book value of long-lived assets are as follows (in thousands):

	March 31,	
	2003	2004
United States	$ 2,857	$ 2,331
Taiwan	82	72
	$ 2,939	$ 2,403

NOTE 11—EMPLOYEE BENEFIT PLAN

The Company provides a defined contribution retirement plan (the "Retirement Plan"), which qualifies under Section 408(k) of the Internal Revenue Code of 1996. The Retirement Plan covers essentially all United States employees. Eligible employees may make contributions to the Retirement Plan up to 15% of their annual compensation, but no greater than the annual IRS limitation for any plan year. The Plan does not provide for Company contributions.

NOTE 12—ANTI-DUMPING DUTY

A significant percentage of the Company products are manufactured by independent wafer foundries and subcontractors located in Taiwan. In the past the Company was subject to anti-dumping proceedings in which a competitor alleged that the Company's Taiwan-manufactured products were being sold in the United States at less than their fair value. In April 1998, the United States Department of Commerce, or DOC, issued an anti-dumping order and imposed a duty of 12.1% of the value of the Company's Taiwan-manufactured products imported for sale in the United States, retroactive to October 1997. The duty was subsequently increased to 51.3% on products imported for sale between October 1998 and March 1999. The Company continued to accrue duties at the rate of 51.3% on Taiwan-manufactured products imported for sale subsequent to March 1999. These duties were recorded as a cost of revenues as products subject to the duties were sold. In August 2000, the Court of International Trade issued a ruling that our Taiwan-manufactured products do not materially

injure, or threaten to injure, the U.S. industry. In January 2002, the DOC revoked its anti-dumping order, retroactive to October 1997 and the United States Customs Service ("USCS") was ordered to refund, with interest, all duties deposited under the 1998 anti-dumping order. The Company had paid an aggregate of $3,938,000 through the date of the refund order, of which $2,161,000 had been charged to cost of revenues during the period from the 1998 anti-dumping order date through March 31, 2001. The balance of the payments of $1,777,000 were reclassified to receivable from USCS on the date of the refund order. The Company received $3,542,000 of refunds during the year ended March 31, 2002, of which $2,161,000 was credited to cost of revenues, $396,000 was credited to interest income and $985,000 was credited to the receivable from USCS. The Company received $876,000 of refunds during the year ended March 31, 2003, of which $792,000 was credited to receivables and $84,000 was credited to interest income.

NOTE 13—SUBSEQUENT EVENTS

Initial public offering

On April 7, 2004, the Company's board of directors authorized management to file a registration statement with the Securities and Exchange Commission to permit the Company to sell shares of its common stock to the public.

Reincorporation

On April 7, 2004, the Company's board of directors authorized the reincorporation of the Company in Delaware. All references to per share amounts have been retroactively restated in the accompanying financial statements to give effect of reincorporation. The reincorporation will be effected prior to the date of the Company's initial public offering.

As result of reincorporation the Company is authorized to issue 150,000,000 shares of $0.001 par value common stock and 5,000,000 shares of $0.001 par value preferred stock. The board of directors has the authority to issue undesignated preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof.

2004 Equity Incentive Plan

On April 7, 2004, the Company's board of directors authorized the adoption of the 2004 Equity Incentive Plan (the "2004 Plan"), which will become effective after adoption and approval by the Company's stockholders. The maximum aggregate number of shares of stock that may be issued under the 2004 Plan is 3,000,000. This amount will automatically increase on April 1, 2006 and each subsequent anniversary through 2014, by an amount equal to the lesser of (a) five percent (5%) of the number of shares of stock issued and outstanding on the immediately preceding March 31, or (b) 1,500,000 shares. The 2004 Plan provides for the grant of stock options, stock appreciation rights, performance awards and deferred compensation awards. Options granted under the 2004 Plan may be either "incentive stock options", as defined under Section 422 of the Internal Revenue Code of 1986, or non-statutory stock options.

2004 Employee Stock Purchase Plan

On April 7, 2004, the Company's board of directors authorized the adoption of the 2004 Employee Stock Purchase Plan (the "Purchase Plan"), which will become effective after adoption and approval by the Company's stockholders. The maximum aggregate number of shares of stock that may be issued under the Purchase Plan is 500,000. In addition, the Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on April 1 of each year beginning in 2006 and continuing through 2014 equal to the smallest of (1) one percent of our then outstanding shares of common stock on the immediately preceding March 1, (2) 250,000 shares or (3) a number of shares as our Board may determine. The Purchase Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986 with the purpose of providing employees with an opportunity to purchase the Company's common stock through accumulated payroll deductions.


TECHNOLOGY

Through and including , 2004 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

Common Stock

PROSPECTUS

Merrill Lynch & Co.

Needham & Company, Inc.

Friedman Billings Ramsey

C.E. Unterberg, Towbin

, 2004

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all costs and expenses, other than the underwriting discount payable by the registrant in connection with the sale and distribution of the common stock being registered hereby, including the shares offered by the selling stockholders, except that the selling stockholders will bear the costs relating to their own legal fees and expenses, representing approximately $ of the amount shown on the table. All amounts shown are estimates except for the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market application fee.

Securities and Exchange Commission registration fee	$ 13,113
NASD filing fee	10,850
Nasdaq National Market application fee	100,000
Blue sky qualification fees and expenses	10,000
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Director and officer liability insurance	
Transfer agent and registrar fees	15,000
Miscellaneous expenses	
Total	$

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The registrant's Certificate of Incorporation and Bylaws provide that the Registrant shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the registrant intends to enter into separate indemnification agreements (Exhibit 10.1) with its directors and officers which would require the registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status or service (other than liabilities arising from willful misconduct of a culpable nature). The registrant also intends to maintain director and officer liability insurance, if available on reasonable terms. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The Underwriting Agreement (Exhibit 1.1) provides for indemnification by the Underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act, or otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In the three years prior to the filing of this Registration Statement, the registrant issued and sold 1,477,475 shares of common stock to its employees, directors and consultants upon exercise of options granted by the registrant under its 1997 Stock Option Plan, with exercise prices ranging from $0.04 to $2.00 per share.

The sales and issuances of these securities were deemed to be exempt from registration under the Securities Act by virtue of Rule 701 promulgated under Section 3(b) of the Securities Act as transactions pursuant to compensation benefits plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(3) EXHIBITS.

Exhibit Number	Name of Document
*1.1	Form of Underwriting Agreement
†3.1	Amended and Restated Articles of Incorporation of Registrant
†3.2	Amended and Restated Bylaws of Registrant
3.3	Form of Amended and Restated Certificate of Incorporation of Registrant to be filed after the completion of the offering
3.4	Form of Bylaws to be effective after completion of the offering
*4.1	Specimen certificate representing the common stock
*5.1	Opinion of Gray Cary Ware & Freidenrich LLP
10.1	Form of Indemnification Agreement between Registrant and Registrant's directors and officers
†10.2	1997 Stock Option Plan
†10.3	2000 Stock Option Plan
*10.4	2004 Equity Incentive Plan
10.5	2004 Employee Stock Purchase Plan
10.6	Building Office Lease for 2360 Owen Street, Santa Clara, California 95054, as amended
†10.7	Building Office Lease for United Technology Building A, Fantz PO, Chupei City, Taiwan
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm
*23.2	Consent of Gray Cary Ware & Freidenrich LLP (included in Exhibit 5.1)
†24.1	Power of Attorney

* To be filed by subsequent amendment.

† Previously filed

(b) FINANCIAL STATEMENT SCHEDULES.

All financial statement schedules have been omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Santa Clara, State of California, on May 26, 2004.

GSI TECHNOLOGY, INC.

By: /s/ LEE-LEAN SHU

Lee-Lean Shu
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ LEE-LEAN SHU Lee-Lean Shu	President, Chief Executive Officer and Chairman *(Principal Executive Officer)*	May 26, 2004
/s/ DOUGLAS M. SCHIRLE* Douglas M. Schirle	Chief Financial Officer *(Principal Financial and Accounting Officer)*	May 26, 2004
/s/ ROBERT YAU* Robert Yau	Vice President, Engineering, Secretary and Director	May 26, 2004
/s/ JING RONG TANG* Jing Rong Tang	Director	May 26, 2004
/s/ HSIANG-WEN CHEN* Hsiang-Wen Chen	Director	May 26, 2004
/s/ RUEY L. LU* Ruey L. Lu	Director	May 26, 2004

*By: /s/ LEE-LEAN SHU

Lee-Lean Shu, Attorney-in-fact
May 26, 2004

EXHIBIT INDEX

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†24.1	Power of Attorney

* To be filed by subsequent amendment.

† Previously filed

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Exhibit 3.3

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF

GSI TECHNOLOGY, INC.

GSI Technology, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the corporation is GSI Technology, Inc., The date of filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was September 14, 2000.

B. Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of this corporation.

C. The text of the Certificate of Incorporation is hereby amended and restated in its entirety to read in full as follows:

FIRST: The name of the corporation is GSI Technology, Inc., (hereinafter sometimes referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Incorporating Services, Ltd., 15 East North Street, in the City of Dover, County of Kent. The name of the registered agent at that address is Incorporating Services, Ltd.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is One Hundred Fifty-Five Million (155,000,000) shares consisting of:

1. One Hundred Fifty Million (150,000,000) shares of common stock, par value of one-tenth of one cent $.001 per share (the "Common Stock").

2. Five Million (5,000,000) shares of preferred stock, par value of one-tenth of one cent $.001 per share (the "Preferred Stock"); and

B. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereon. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by either the Board of Directors, the Chairman of the Board or the President of the Corporation.

SIXTH: A. The number of directors shall initially be five (5) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors. Upon the filing of this Amended and Restated Certificate of Incorporation (the "Effective Date"), the directors shall be divided into three classes with the term of office of the first class to expire at the first annual meeting of the stockholders following the Effective Date hereof; the term of office of the second class to expire at the second annual meeting of stockholders held following the Effective Date hereof; the term of office of the third class to expire at the third annual meeting of stockholders following the Effective Date hereof; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation or other cause (including removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum, or by the sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^2/_3\%$) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

SEVENTH: The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^2/_3\%$) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

EIGHTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing provisions of this Article EIGHTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH: The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; *provided*, *however*, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^2/3\%$) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article NINTH, Sections C and D of Article FIFTH, Article SIXTH, Article SEVENTH or Article EIGHTH.

D. That the Board of Directors of the Corporation adopted resolutions approving and adopting the foregoing amendment and restatement at its duly called regular meeting held on April 7, 2004.

E. That the stockholders of the Corporation took action by written consent in lieu of a meeting in accordance with the applicable provisions of Sections 228 and 242 of the Delaware General Corporation Law in order to approve the foregoing amendment and restatement.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by its duly authorized officer this day of , 2004.

GSI TECHNOLOGY, INC.,

By: _____

Lee-Lean Shu, President and
Chief Executive Officer

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Exhibit 3.4

BYLAWS OF
GSI TECHNOLOGY, INC.
(a Delaware corporation)

ARTICLE I
STOCKHOLDERS

1.1 *Place of Meetings.* All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Board of Directors, the President or the Chief Executive Officer.

1.2 *Annual Meeting.* The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board of Directors at the time and place to be fixed by the Board of Directors and stated in the notice of the meeting.

1.3 *Special Meetings.* Special meetings of stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President, for any purpose or purposes prescribed in the notice of the meeting and shall be held at such place, on such date and at such time as the Board may fix. Business transacted at any special meeting of stockholders shall be confined to the purpose or purposes stated in the notice of meeting.

1.4 *Notice of Meetings.* Written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or as required by law (meaning here and hereafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation). The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

1.5 *Voting List.* The officer who has charge of the stock ledger of the corporation shall prepare, at least 10 days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present. This list shall determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 *Quorum.* Except as otherwise provided by law or these Bylaws, the holders of a majority of the shares of the capital stock of the corporation entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

1.7 *Adjournments.* Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the Chairman of the meeting or, in the absence of such person, by any officer entitled to preside at or to act as Secretary of such meeting, or by the holders of a majority of the shares of stock present or represented at the meeting and entitled to vote, although less than a quorum. When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

1.8 *Voting and Proxies.* Each stockholder shall have one vote for each share of stock entitled to vote held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided by law or in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize any other person or persons to vote or act for him by written proxy executed by the stockholder or his authorized agent or by a transmission permitted by law and delivered to the Secretary of the corporation. No stockholder may authorize more than one proxy for his shares. Any copy, facsimile transmission or other reliable reproduction of the writing or transmission created pursuant to this Section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile transmission or other reproduction shall be a complete reproduction of the entire original writing or transmission.

1.9 *Action at Meeting.* When a quorum is present at any meeting, any election shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election, and all other matters shall be determined by a majority of the votes cast affirmatively or negatively on the matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority of each such class present or represented and voting affirmatively or negatively on the matter) shall decide such matter, except when a different vote is required by express provision of law, the Certificate of Incorporation or these Bylaws.

All voting, including on the election of directors, but excepting where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballot shall be counted by an inspector or inspectors appointed by the chairman of the meeting. The corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The corporation may designate one or more persons as an alternate inspector to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his or her ability.

1.10 *Notice of Stockholder Business.* At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) properly brought before the meeting by or at the direction of the Board of Directors, or (iii) properly brought before an annual meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, it must be a proper matter for stockholder action under the Delaware General Corporation Law, and the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder proposal to be presented at an annual meeting shall be received at the corporation's principal executive offices not less than 120 calendar days in advance of the first anniversary of the date that the corporation's (or the corporation's predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 calendar days earlier than the date contemplated at the time of the previous year's proxy statement, notice by the stockholders to be timely must be received not later than the close of business on the 10th day following the day on which the date of the annual meeting is publicly announced. "Public announcement" for purposes hereof shall have the meaning set forth in Article II, Section 2.15(c) of these Bylaws. In no event shall the public announcement at an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

A stockholder's notice to the Secretary of the corporation shall set forth as to each matter the stockholder proposes to bring before the annual or special meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and address of the stockholder proposing such business and of the beneficial owner, if any, on whose behalf the business is being brought, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder and such other beneficial owner, and (iv) any material interest of the stockholder and such other beneficial owner in such business.

1.11 *Conduct of Business.* At every meeting of the stockholders, the Chairman of the Board, or, in his or her absence, the President, or, in his or her absence, such other person as may be appointed by the Board of Directors, shall act as Chairman. The Secretary of the corporation or a person designated by the Chairman of the meeting shall act as Secretary of the meeting. Unless otherwise approved by the Chairman of the meeting, attendance at the stockholders' meeting is restricted to stockholders of record, persons authorized in accordance with Section 1.8 of these Bylaws to act by proxy, and officers of the corporation.

The Chairman of the meeting shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the Chairman's discretion, it may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

The Chairman shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. The Chairman may impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the Chairman shall have the power to have such person removed from participation. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 1.11 and Section 1.10 above. The Chairman of a meeting shall if the facts warrant, determine and declare to the meeting that any proposed item of business was not brought before the meeting in accordance with the provisions of

this Section 1.11 and Section 1.10, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

1.12 *Stockholder Action Without Meeting.* Effective upon the closing of the corporation's initial public offering of its common stock, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders. At all times prior to the closing of the corporation's initial public offering of its common stock, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the corporation and shall be maintained in the corporate records. Prompt notice of the taking of a corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

An electronic transmission consenting to an action to be taken and transmitted by a stockholder, or by a proxy holder or other person authorized to act for a stockholder, shall be deemed to be written, signed and dated for the purpose of this Section 1.12, provided that such electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the electronic transmission was transmitted by the stockholder or by a person authorized to act for the stockholder and (ii) the date on which such stockholder or authorized person transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its principal place of business or an officer or agent of the corporation having custody of the books in which proceedings of meetings of stockholders are recorded.

1.13 *Meetings by Remote Communication.* If authorized by the Board of Directors, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication, participate in the meeting and be deemed present in person and vote at the meeting, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (ii) the corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

ARTICLE II
BOARD OF DIRECTORS

2.1 *General Powers.* The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

2.2 *Number and Term of Office.* The number of directors shall initially be five (5) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Effective upon the date of the closing of the corporation's initial public offering of its common stock (the "Effective Date"), the directors shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders held after the Effective Date; the term of office of the second class to expire at the second annual meeting of stockholders held after the Effective Date; the term of office of the third class to expire at the third annual meeting of stockholders held after the Effective Date; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. All directors shall hold office until the expiration of the term for which elected and until their respective successors are elected, except in the case of the death, resignation or removal of any director.

2.3 *Vacancies and Newly Created Directorships.* Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification or other cause (including removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum, or by the sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

2.4 *Resignation.* Any director may resign by delivering notice in writing or by electronic transmission to the President, Chairman of the Board or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.5 *Removal.* Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause, by the affirmative vote of the holders of sixty six and two thirds percent ($66^2/_3\%$) of the voting power of all of the outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director. Directors so chosen shall hold office until the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires.

2.6 *Regular Meetings.* Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.7 *Special Meetings.* Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or two or more directors and may be held at any time and place, within or without the State of Delaware.

2.8 *Notice of Special Meetings.* Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director by (i) giving notice to such director in person or by telephone, electronic transmission or voice message system at least 24 hours in advance of the meeting, (ii) sending a facsimile, or delivering written notice by hand, to his last known business or home address at least

24 hours in advance of the meeting, or (iii) mailing written notice to his last known business or home address at least three days in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

2.9 *Participation in Meetings by Telephone Conference Calls or Other Methods of Communication.* Directors or any members of any committee designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.10 *Quorum.* A majority of the total number of authorized directors shall constitute a quorum at any meeting of the Board of Directors. In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than $^1/_3$ of the number so fixed constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of a committee which authorizes a particular contract or transaction.

2.11 *Action at Meeting.* At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these Bylaws.

2.12 *Action by Written Consent.* Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.13 *Committees.* The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation, with such lawfully delegated powers and duties as it therefor confers, to serve at the pleasure of the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the Delaware General Corporation Law, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board of Directors.

2.14 *Compensation of Directors.* Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time

to time determine. No such payment shall preclude any director from serving the corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

2.15 *Nomination of Director Candidates*

(a) Subject to the rights of holders of any class or series of Preferred Stock then outstanding, nominations for the election of Directors at an annual meeting may be made by (i) the Board of Directors or a duly authorized committee thereof or (ii) any stockholder entitled to vote in the election of Directors generally who complies with the procedures set forth in this Bylaw and who is a stockholder of record at the time notice is delivered to the Secretary of the corporation. Any stockholder entitled to vote in the election of Directors generally may nominate one or more persons for election as Directors at an annual meeting only if timely notice of such stockholder's intent to make such nomination or nominations has been given in writing to the Secretary of the corporation. To be timely, a stockholder nomination for a director to be elected at an annual meeting shall be received at the corporation's principal executive offices not less than 120 calendar days in advance of the first anniversary of the date that the corporation's (or the corporation's predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholders to be timely must be received not later than the close of business on the tenth day following the day on which public announcement of the date of such meeting is first made. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination, of the beneficial owner, if any, on whose behalf the nomination is being made and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote for the election of Directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder or such beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (v) the consent of each nominee to serve as a director of the corporation if so elected. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Notwithstanding the third sentence of this Section 2.15(a), in the event that the number of Directors to be elected at an annual meeting is increased and there is no public announcement by the corporation naming the nominees for the additional directorships at least 130 days prior to the first anniversary of the date that the corporation's (or its predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting, a stockholder's notice required by this Section 2.15(a) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(b) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting by (i) or at the direction of the Board of Directors or a committee thereof or (ii) any stockholder of the corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Bylaw and who is a stockholder of record at the time such notice is

delivered to the Secretary of the corporation. In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as are specified in the corporation's notice of meeting, if the stockholder's notice as required by paragraph (a) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 70th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act").

(d) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(e) Only persons nominated in accordance with the procedures set forth in this Section 2.15 shall be eligible to serve as directors. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty (a) to determine whether a nomination was made in accordance with the procedures set forth in this Section 2.15 and (b) if any proposed nomination was not made in compliance with this Section 2.15, to declare that such nomination shall be disregarded.

(f) If the Chairman of the meeting for the election of Directors determines that a nomination of any candidate for election as a Director at such meeting was not made in accordance with the applicable provisions of this Section 2.15, such nomination shall be void; provided, however, that nothing in this Section 2.15 shall be deemed to limit any voting rights upon the occurrence of dividend arrearages provided to holders of Preferred Stock pursuant to the Preferred Stock designation for any series of Preferred Stock.

ARTICLE III
OFFICERS

3.1 *Enumeration.* The officers of the corporation shall consist of a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including, at the discretion of the Board of Directors, a Chairman of the Board and one or more Vice Presidents and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 *Election.* Officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Officers may be appointed by the Board of Directors at any other meeting.

3.3 *Qualification.* No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 *Tenure.* Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until his successor is elected and qualified, unless a different term is specified in the vote appointing him, or until his earlier death, resignation or removal.

3.5 *Resignation and Removal.* Any officer may resign by delivering his written resignation to the corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer elected by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors.

3.6 *Chairman of the Board.* The Board of Directors may appoint a Chairman of the Board. If the Board of Directors appoints a Chairman of the Board, he shall perform such duties and possess such powers as are assigned to him by the Board of Directors. Unless otherwise provided by the Board of Directors, he shall preside at all meetings of the stockholders, and, if he is a director, at all meetings of the Board of Directors.

3.7 *President.* The President shall, subject to the direction of the Board of Directors, have responsibility for the general management and control of the business and affairs of the corporation and shall perform all duties and have all powers which are commonly incident to the office of President or which are delegated to him or her by the Board of Directors. Unless otherwise designated by the Board of Directors, the President shall be the Chief Executive Officer of the corporation. The President shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of the Board of Directors and of stockholders. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe. He or she shall have power to sign stock certificates, contracts and other instruments of the corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the corporation, other than the Chairman of the Board.

3.8 *Vice Presidents.* Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

3.9 *Secretary and Assistant Secretaries.* The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the Secretary, including, without limitation, the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to keep a record of the proceedings of all meetings of stockholders and the Board of Directors, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the Chief Executive Officer, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.10 *Chief Financial Officer.* Unless otherwise designated by the Board of Directors, the Chief Financial Officer shall be the Treasurer. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned to him by the Board of Directors, the Chief Executive Officer or the President. In addition, the Chief Financial Officer shall perform such duties and have such powers as are incident to the office of chief financial officer, including without limitation, the duty and power to keep and be responsible for all funds and securities of the corporation, to maintain the financial records of the corporation, to deposit funds of the corporation in depositories as authorized, to disburse such funds as authorized, to make proper accounts of such funds, and to render as required by the Board of Directors accounts of all such transactions and of the financial condition of the corporation.

3.11 *Salaries.* Officers of the corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.12 *Delegation of Authority.* The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE IV
CAPITAL STOCK

4.1 *Issuance of Stock.* Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the corporation or the whole or any part of any unissued balance of the authorized capital stock of the corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 *Certificates of Stock.* Every holder of stock of the corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by him in the corporation. Each such certificate shall be signed by, or in the name of the corporation by, the Chairman or Vice Chairman, if any, of the Board of Directors, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation. Any or all of the signatures on the certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the Bylaws, applicable securities laws or any agreement among any number of shareholders or among such holders and the corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

4.3 *Transfers.* Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, the Certificate of Incorporation or the Bylaws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of

such stock until the shares have been transferred on the books of the corporation in accordance with the requirements of these Bylaws.

4.4 *Lost, Stolen or Destroyed Certificates.* The corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the corporation or any transfer agent or registrar.

4.5 *Record Date.* The Board of Directors may fix in advance a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, concession or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE V
GENERAL PROVISIONS

5.1 *Fiscal Year.* The fiscal year of the corporation shall be as fixed by the Board of Directors.

5.2 *Corporate Seal.* The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 *Waiver of Notice.* Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by electronic transmission or any other method permitted under the Delaware General Corporation Law, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.4 *Actions with Respect to Securities of Other Corporations.* Except as the Board of Directors may otherwise designate, the Chief Executive Officer or President or any officer of the corporation authorized by the Chief Executive Officer or President shall have the power to vote and otherwise act on behalf of the corporation, in person or proxy, and may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact to this corporation (with or without power of substitution) at any meeting of stockholders or shareholders (or with respect to any action of stockholders) of any other corporation or organization, the securities of which may be held by this corporation and otherwise to exercise any and all rights and powers which this corporation may possess by reason of this corporation's ownership of securities in such other corporation or other organization.

5.5 *Evidence of Authority.* A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 *Certificate of Incorporation.* All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the corporation, as amended and in effect from time to time.

5.7 *Severability.* Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

5.8 *Pronouns.* All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.9 *Notices.* Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by facsimile or other electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law, or by commercial courier service. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the corporation. The time when such notice shall be deemed to be given shall be the time such notice is received by such stockholder, director, officer, employee or agent, or by any person accepting such notice on behalf of such person, if delivered by hand, facsimile, other electronic transmission or commercial courier service, or the time such notice is dispatched, if delivered through the mails.

5.10 *Reliance Upon Books, Reports and Records.* Each director, each member of any committee designated by the Board of Directors, and each officer of the corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the corporation, including reports made to the corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

5.11 *Time Periods.* In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.12 *Facsimile Signatures.* In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

5.13 *Annual Report.* For so long as the corporation has fewer than 100 holders of record of its shares, the mandatory requirement of an annual report under Section 1501 of the California Corporations Code is hereby expressly waived.

ARTICLE VI
AMENDMENTS

6.1 *By the Board of Directors.* Except as is otherwise set forth in these Bylaws, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 *By the Stockholders.* Except as otherwise set forth in these Bylaws, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of the holders of

at least sixty six and two thirds percent ($66^2/3\%$) of the shares of the capital stock of the corporation issued and outstanding and entitled to vote at any annual meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new Bylaws shall have been stated in the notice of such special meeting.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.1 *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another corporation, or as a controlling person of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said Law permitted the corporation to provide prior to such amendment) against all expenses, liability and loss reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; *provided*, *however*, that except as provided in Section 7.2 of this Article VII, the corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person only if (a) such indemnification is expressly required to be made by law, (b) the proceeding (or part thereof) was authorized by the Board of Directors of the corporation, (c) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law, or (d) the proceeding (or part thereof) is brought to establish or enforce a right to indemnification under an indemnity agreement or any other statute or law or otherwise as required under Section 145 of the Delaware General Corporation Law. The rights hereunder shall be contract rights and shall include the right to be paid expenses incurred in defending any such proceeding in advance of its final disposition; *provided*, *however*, that, unless the Delaware General Corporation Law then so prohibits, the payment of such expenses incurred by a director or officer of the corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is tendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

7.2 *Right of Claimant to Bring Suit.* If a claim under Section 7.1 is not paid in full by the corporation within 90 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that

indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

7.3 *Indemnification of Employees and Agents.* The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of related expenses, to any employee or agent of the corporation to the fullest extent of the provisions of this Article with respect to the indemnification of and advancement of expenses to directors and officers of the corporation.

7.4 *Non-Exclusivity of Rights.* The rights conferred on any person in Sections 7.1 and 7.2 shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

7.5 *Indemnification Contracts.* The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the corporation, or any person serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VII.

7.6 *Insurance.* The corporation may maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

7.7 *Effect of Amendment.* Any amendment, repeal or modification of any provision of this Article VII by the stockholders and the directors of the corporation shall not adversely affect any right or protection of a director or officer of the corporation existing at the time of such amendment, repeal or modification.

CERTIFICATE OF SECRETARY

OF

GSI TECHNOLOGY, INC.

(a Delaware corporation)

I, , the Secretary of GSI Technology, Inc., a Delaware corporation (the "Corporation"), hereby certify that the Bylaws to which this Certificate is attached are the Bylaws of the Corporation.

Executed effective on the day of , 2004.

, Secretary

QuickLinks

Exhibit 3.4

Exhibit 10.1

INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of , 2004, is made by and between GSI Technology, Inc., a Delaware corporation (the "*Company*"), and (the "*Indemnitee*").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as directors, officers or agents of corporations unless they are protected by comprehensive liability insurance or indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors, officers and other agents.

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors, officers and agents with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take.

C. Plaintiffs often seek damages in such large amounts and the costs of litigation may be so enormous (whether or not the case is meritorious), that the defense and/or settlement of such litigation is often beyond the personal resources of directors, officers and other agents.

D. The Company believes that it is unfair for its directors, officers and agents and the directors, officers and agents of its subsidiaries to assume the risk of huge judgments and other expenses which may occur in cases in which the director, officer or agent received no personal profit and in cases where the director, officer or agent was not culpable.

E. The Company recognizes that the issues in controversy in litigation against a director, officer or agent of a corporation such as the Company or its subsidiaries are often related to the knowledge, motives and intent of such director, officer or agent, that he is usually the only witness with knowledge of the essential facts and exculpating circumstances regarding such matters, and that the long period of time which usually elapses before the trial or other disposition of such litigation often extends beyond the time that the director, officer or agent can reasonably recall such matters; and may extend beyond the normal time for retirement for such director, officer or agent with the result that he, after retirement or in the event of his death, his spouse, heirs, executors or administrators, may be faced with limited ability and undue hardship in maintaining an adequate defense, which may discourage such a director, officer or agent from serving in that position.

F. Based upon their experience as business managers, the Board of Directors of the Company (the "*Board*") has concluded that, to retain and attract talented and experienced individuals to serve as directors, officers and agents of the Company and its subsidiaries and to encourage such individuals to take the business risks necessary for the success of the Company and its subsidiaries, it is necessary for the Company to contractually indemnify its directors, officers and agents and the directors, officers and agents of its subsidiaries, and to assume for itself maximum liability for expenses and damages in connection with claims against such directors, officers and agents in connection with their service to the Company and its subsidiaries, and has further concluded that the failure to provide such contractual indemnification could result in great harm to the Company and its subsidiaries and the Company's stockholders.

G. Section 145 of the General Corporation Law of Delaware, under which the Company is organized ("*Section 145*"), empowers the Company to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the

directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive.

H. The Company desires and has requested the Indemnitee to serve or continue to serve as a director, officer or agent of the Company and/or one or more subsidiaries of the Company free from undue concern for claims for damages arising out of or related to such services to the Company and/or one or more subsidiaries of the Company.

I. Indemnitee is willing to serve, or to continue to serve, the Company and/or one or more subsidiaries of the Company, provided that he is furnished the indemnity provided for herein.

AGREEMENT

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. *Definitions*.

(a) *Agent*. For the purposes of this Agreement, "agent" of the Company means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the Company or a subsidiary of the Company, or was a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) *Expenses*. For purposes of this Agreement, "expenses" include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements), actually and reasonably incurred by the Indemnitee in connection with either the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement or Section 145 or otherwise; provided, however, that "expenses" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a proceeding.

(c) *Proceeding*. For the purposes of this Agreement, "proceeding" means any threatened, pending, or completed action, suit or other proceeding, whether civil, criminal, administrative, or investigative.

(d) *Subsidiary*. For purposes of this Agreement, "subsidiary" means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more other subsidiaries, or by one or more other subsidiaries.

2. *Agreement to Serve*. The Indemnitee agrees to serve and/or continue to serve as agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves as an agent of the Company, so long as he is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as he tenders his resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by Indemnitee.

3. *Liability Insurance*.

(a) *Maintenance of D&O Insurance*. The Company hereby covenants and agrees that, so long as the Indemnitee shall continue to serve as an agent of the Company and thereafter so long as

the Indemnitee shall be subject to any possible proceeding by reason of the fact that the Indemnitee was an agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("*D&O Insurance*") in reasonable amounts from established and reputable insurers.

(b) *Rights and Benefits*. In all policies of D&O Insurance, the Indemnitee shall be named as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if the Indemnitee is a director; or of the Company's officers, if the Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if the Indemnitee is not a director or officer but is a key employee.

(c) *Limitation on Required Maintenance of D&O Insurance*. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or the Indemnitee is covered by similar insurance maintained by a subsidiary of the Company.

4. *Mandatory Indemnification*. Subject to Section 9 below, the Company shall indemnify the Indemnitee as follows:

(a) *Successful Defense*. To the extent the Indemnitee has been successful on the merits or otherwise in defense of any proceeding (including, without limitation, an action by or in the right of the Company) to which the Indemnitee was a party by reason of the fact that he is or was an agent of the Company at any time, against all expenses of any type whatsoever actually and reasonably incurred by him in connection with the investigation, defense or appeal of such proceeding.

(b) *Third Party Actions*. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Company) by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, the Company shall indemnify the Indemnitee against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal of such proceeding, provided the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(c) *Derivative Actions*. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by or in the right of the Company by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, the Company shall indemnify the Indemnitee against all expenses actually and reasonably incurred by him in connection with the investigation, defense, settlement, or appeal of such proceeding, provided the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and its stockholders; except that no indemnification under this subsection 4(c) shall be made in respect to any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts which the court shall deem proper.

(d) *Actions where Indemnitee is Deceased*. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that he is or was an agent of the Company, or by reason of anything done or not done by him in any such capacity, and if prior to, during the pendency of after completion of such proceeding Indemnitee becomes deceased, the Company shall indemnify the Indemnitee's heirs, executors and administrators against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred to the extent Indemnitee would have been entitled to indemnification pursuant to Sections 4(a), 4(b), or 4(c) above were Indemnitee still alive.

(e) *No Obligation to Indemnify; Payments to Indemnitee*. Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) for which payment is actually made to or on behalf of Indemnitee under a valid and collectible insurance policy of D&O Insurance, or under a valid and enforceable indemnity clause, by-law or agreement.

5. *Partial Indemnification*. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) incurred by him in the investigation, defense, settlement or appeal of a proceeding, but not entitled, however, to indemnification for all of the total amount hereof, the Company shall nevertheless indemnify the Indemnitee for such total amount except as to the portion hereof to which the Indemnitee is not entitled.

6. *Mandatory Advancement of Expenses*. Subject to Section 8(a) below, the Company shall advance all expenses incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an agent of the Company. Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall be determined ultimately that the Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to the Indemnitee within twenty (20) days following delivery of a written request therefor by the Indemnitee to the Company. In the event that the Company fails to pay expenses as incurred by the Indemnitee as required by this paragraph, Indemnitee may seek mandatory injunctive relief from any court having jurisdiction to require the Company to pay expenses as set forth in this paragraph. If Indemnitee seeks mandatory injunctive relief pursuant to this paragraph, it shall not be a defense to enforcement of the Company's obligations set forth in this paragraph that Indemnitee has an adequate remedy at law for damages.

7. *Notice and Other Indemnification Procedures*.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof.

(b) If, at the time of the receipt of a notice of the commencement of a proceeding pursuant to Section 7(a) hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event the Company shall be obligated to pay the expenses of any proceeding against the Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by the Indemnitee, upon the delivery to the Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that (i) the Indemnitee shall have the right to employ his counsel in any such proceeding at the Indemnitee's expense; and (ii) if (A) the employment of counsel by the Indemnitee has been previously authorized by the Company, (B) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

8. *Exceptions*. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) *Claims Initiated by Indemnitee*. To indemnify or advance expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the General Corporation Law of Delaware or (iv) the proceeding is brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145;

(b) *Lack of Good Faith*. To indemnify the Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by the Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) *Unauthorized Settlements*. To indemnify the Indemnitee under this Agreement for any amounts paid in settlement of a proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

9. *Non-exclusivity*. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights which the Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in his official capacity and to action in another capacity while occupying his position as an agent of the Company, and the Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors and administrators of the Indemnitee.

10. *Enforcement*. Any right to indemnification or advances granted by this Agreement to Indemnitee shall be enforceable by or on behalf of Indemnitee in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. Indemnitee, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for expenses pursuant to Section 6 hereof, provided that the required undertaking has been tendered to the Company) that Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 8 hereof. Neither the failure of the Company (including its Board of Directors or its stockholders) to have made a determination prior

to the commencement of such enforcement action that indemnification of Indemnitee is proper in the circumstances, nor an actual determination by the Company (including its Board of Directors or its stockholders) that such indemnification is improper, shall be a defense to the action or create a presumption that Indemnitee is not entitled to indemnification under this Agreement or otherwise.

11. *Subrogation*. In the event the Company is obligated to make a payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery under an insurance policy or any other indemnity agreement covering the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

12. *Survival of Rights*.

(a) All agreements and obligations of the Company contained herein shall continue during the period Indemnitee is an agent of the Company and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Indemnitee was serving in the capacity referred to herein.

(b) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

13. *Interpretation of Agreement*. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent permitted by law including those circumstances in which indemnification would otherwise be discretionary.

14. *Severability*. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 13 hereof.

15. *Modification and Waiver*. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. *Notice*. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee or (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the mailing date. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

17. *Governing Law*. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

[Remainder of page left intentionally blank]

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

THE COMPANY:

GSI TECHNOLOGY, INC.

By _____

Title _____

Address _____

_____

Attn: _____

INDEMNITEE:

_____

[Name]

Address _____

_____

_____

QuickLinks

Exhibit 10.5

GSI Technology, Inc.

2004 Employee Stock Purchase Plan

GSI Technology, Inc.
2004 Employee Stock Purchase Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The GSI Technology, Inc. 2004 Employee Stock Purchase Plan (the *"**Plan**"*) is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the *"**Effective Date**"*).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Board.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) *"**Board**"* means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(b) *"**Cash Exercise Notice**"* means a written notice in such form as specified by the Company, which states a Participant's election to exercise, as of the next Purchase Date, a Purchase Right granted to such Participant with respect to the Initial Offering Period or other Offering Period for which the Board has suspended payroll deductions by all Participants.

(c) *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(d) *"**Committee**"* means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(e) *"**Company**"* means GSI Technology, Inc., a Delaware corporation, or any successor corporation thereto.

(f) *"**Compensation**"* means, with respect to any Offering Period, base wages or salary, overtime, bonuses, commissions, shift differentials, payments for paid time off, payments in lieu of notice, and compensation deferred under any program or plan, including, without limitation, pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to amounts actually payable in cash or deferred during the Offering Period. Compensation shall not include moving allowances, payments pursuant to a severance agreement, termination pay, relocation

payments, sign-on bonuses, any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase or stock option plan, or any other compensation not included above.

(g) *"**Eligible Employee**"* means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(h) *"**Employee**"* means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(i) *"**Fair Market Value**"* means, as of any date:

(i) If the Stock is then listed on a national or regional securities exchange or market system or is regularly quoted by a recognized securities dealer, the closing sale price of a share of Stock (or the mean of the closing bid and asked prices if the Stock is so quoted instead) as quoted on the Nasdaq National Market, the Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, or by such recognized securities dealer, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system or has been quoted by such securities dealer, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Board, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or market system or regularly quoted by a recognized securities dealer, the Fair Market Value of a share of Stock shall be as determined in good faith by the Board.

(iii) Notwithstanding the foregoing, the Fair Market Value of a share of Stock on the Effective Date shall be deemed to be the public offering price set forth in the final prospectus filed with the Securities and Exchange Commission in connection with the Company's initial public offering of the Stock.

(j) *"**Initial Offering Period**"* means the Offering Period commencing on the Effective Date of the Plan, as established pursuant to Section 6.

(k) *"**Offering**"* means an offering of Stock as provided in Section 6.

(l) *"**Offering Date**"* means, for any Offering, the first day of the Offering Period.

(m) *"**Offering Period**"* means an Offering Period established in accordance with Section 6.

(n) *"**Parent Corporation**"* means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(o) *"**Participant**"* means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(p) *"**Participating Company**"* means the Company and any Parent Corporation or Subsidiary Corporation designated by the Board as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Board shall have the sole and absolute discretion to

determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(q) *"**Participating Company Group**"* means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(r) *"**Purchase Date**"* means, for any Offering Period, the last day of such period, or, if so determined by the Board, the last day of each Purchase Period occurring within an Offering Period.

(s) *"**Purchase Period**"* means a Purchase Period established in accordance with Section 6.

(t) *"**Purchase Price**"* means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(u) *"**Purchase Right**"* means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any accumulated payroll deductions of the Participant not previously applied to the purchase of Stock under the Plan and to terminate participation in the Plan at any time during an Offering Period.

(v) *"**Registration Date**"* means the effective date of the initial registration on Form S-8 of shares of Stock issuable pursuant to the Plan.

(w) *"**Stock**"* means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(x) *"**Subscription Agreement**"* means a written agreement in such form as specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation.

(y) *"**Subscription Date**"* means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(z) *"**Subsidiary Corporation**"* means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Board.** The Plan shall be administered by the Board. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Board, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless fraudulent or made in bad faith. Subject to the provisions of the Plan, the Board shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest

therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Policies and Procedures Established by the Company.** Without regard to whether any Participant's Purchase Right may be considered adversely affected, the Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, (e) suspension of payroll deductions under the Plan and imposition of a requirement that the Purchase Price be paid in cash or by check, and (f) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirement under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section.

3.4 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. SHARES SUBJECT TO PLAN.

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be five hundred thousand (500,000), cumulatively increased on April 1, 2006 and each April 1 thereafter until and including April 1, 2014 (the *"**Annual Increase**"*), by the smallest of (a) one percent (1%) of the number of shares of Stock issued and outstanding on the immediately preceding March 31, (b) two hundred fifty thousand (250,000) shares, or (c) such lesser number of shares determined by the Board, and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock

allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

4.2 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and class of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY.

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

(a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own or hold options to purchase stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

6. OFFERINGS.

The Plan initially shall be implemented on and after the Effective Date by sequential Offerings of approximately six (6) months duration or such other duration as the Board shall determine (individually, an ***"Offering Period"***); provided, however, that the first Offering Period (the ***"Initial***

Offering Period") shall commence on the Effective Date and end on or about March 31, 2005. Subsequent Offering Periods shall commence on or about April 1 and October 1 of each year and end on or about the last day of the next October and April, respectively, occurring thereafter. Notwithstanding the foregoing, the Board may establish additional or alternative sequential or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the Board shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive purchase periods having such duration as the Board shall specify (individually, a "***Purchase Period***"), and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the national securities exchanges or Nasdaq Stock Market are open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. **PARTICIPATION IN THE PLAN.**

7.1 **Initial Participation.**

(a) **Generally.** Except as provided in Section 7.1(b), an Eligible Employee may become a Participant in an Offering Period by delivering a properly completed Subscription Agreement to the office designated by the Company not later than the close of business for such office on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement to the Company's designated office on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate office of the Company on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

(b) **Automatic Participation in Initial Offering Period.** Notwithstanding Section 7.1(a), each Employee who is an Eligible Employee as of the Effective Date shall automatically become a Participant in the Initial Offering Period and shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) a number of whole shares of Stock determined in accordance with Section 8 or (b) a number of whole shares of Stock determined by dividing fifteen percent (15%) of such Participant's Compensation paid during the Initial Offering Period by the Purchase Price applicable to the Initial Offering Period. The Company shall not require or permit any Participant to deliver a Subscription Agreement for participation in the Initial Offering Period; provided, however, that following the Registration Date a Participant may deliver a Subscription Agreement to the office designated by the Company if the Participant wishes to change the terms of the Participant's participation in the Initial Offering Period. Such changes may include, for example, an election to commence payroll deductions in accordance with Section 10.

7.2 **Continued Participation.**

(a) **Generally.** Except as provided in Section 7.2(b), a Participant shall automatically participate in the next Offering Period commencing immediately after the Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1 or (b) terminated employment as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as

provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1(a) if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

(b) **Participation Following Initial Offering Period.** Notwithstanding Section 7.2(a), an Eligible Employee who was automatically enrolled in the Initial Offering Period and who wishes to participate in an Offering Period which begins after the Initial Offering Period shall deliver a Subscription Agreement in accordance with Section 7.1(a) no earlier than the Registration Date and no later than the Subscription Date for such subsequent Offering Period, unless such Employee was a Participant in the Initial Offering Period who delivered a Subscription Agreement with respect to the Initial Offering Period as provided in Section 7.1(b).

8. RIGHT TO PURCHASE SHARES.

8.1 **Grant of Purchase Right.** Except as provided in Section 7.1 with respect to the Initial Offering Period or as otherwise provided below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) that number of whole shares of Stock determined by dividing Twelve Thousand Five Hundred Dollars ($12,500) by the Fair Market Value of a share of Stock on such Offering Date or (b) one thousand two hundred fifty (1,250) shares of Stock. The Board may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period.No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee.

8.2 **Pro Rata Adjustment of Purchase Right.** If the Board establishes an Offering Period of any duration other than six months, then (a) the dollar amount in Section 8.1 shall be determined by multiplying $2,083.33 by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole dollar, and (b) the share amount in Section 8.1 shall be determined by multiplying 208 shares by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole share.

8.3 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

9. PURCHASE PRICE.

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Board; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or

(b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided below or in Section 22 and unless otherwise provided by the Board, the Purchase Price for each Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Notwithstanding the foregoing, in the event that (i) the stockholders of the Company approve an amendment to the Plan to increase the maximum aggregate number of shares of Stock issuable under the Plan in accordance with Section 4.1, (ii) all or any portion of such additional shares of Stock (the *"**Additional Shares**"*) are to be issued pursuant to an Offering Period in progress at the time of such stockholder approval and (iii) the Fair Market value per share of Stock on the date of such stockholder approval (the *"**Approval Date**"*) is greater than the Fair Market value per share of Stock on the Offering Date of such Offering period, then, the Board may, in its discretion and without the consent of any Participant, adjust the Purchase Price for such Offering Period to be an amount equal to eighty-five percent (85%) (or such other percentage as in effect prior to such adjustment) of the lesser of (a) the Fair Market Value of a share of Stock on the Approval Date or (b) the Fair Market Value of a share of Stock on the Purchase Date.

10. **ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.**

Except as provided in Section 11.1(b) with respect to the Initial Offering Period or unless the Board, in its discretion, suspends payroll deductions for all Participants in an Offering Period, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than fifteen percent (15%). The Board may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein; provided, however, that with respect to the Initial Offering Period, payroll deductions shall commence as soon as practicable following the Company's receipt of the Participant's Subscription Agreement (delivered no earlier than the Registration Date), if any.

10.3 **Election to Change or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to increase or decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company's designated office an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The *"**Change Notice Date**"* shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects, effective following the first pay day of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in the current Offering Period unless such Participant withdraws from the Plan as provided in Section 12.1.

10.4 **Administrative Suspension of Payroll Deductions.** The Company may, in its sole discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right

or (b) during a calendar year under the limit set forth in Section 8.3. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 **Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from the Participant in the Initial Offering Period) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 **No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. PURCHASE OF SHARES.

11.1 **Exercise of Purchase Right.**

(a) **Generally.** Except as provided in Section 11.1(b), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase in Initial Offering Period.** Notwithstanding Section 11.1(a), on the Purchase Date of the Initial Offering Period or any other Offering Period for which the Board has suspended payroll deductions for all Participants, each Participant who has not withdrawn from the Plan and whose participation in such Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right (i) a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period, if any, and not previously applied toward the purchase of Stock and (ii) such additional shares of Stock (not exceeding in the aggregate the Participant's Purchase Right) as determined in accordance with a Cash Exercise Notice delivered to the office designated by the Company no earlier than the Registration Date and not later than the close of business for such office on the business day immediately preceding the Purchase Date or such earlier date as the Company shall establish, accompanied by payment in cash or by check of the Purchase Price for such additional shares. However, in no event shall the number of shares purchased by a Participant during such Offering Period exceed the number of shares subject to the Participant's Purchase Right. In addition, if a Participant delivers a Subscription Agreement to the Company after the Registration Date, the Participant may not elect to exercise a Purchase Right pursuant to a Cash Exercise Notice in an amount which, when aggregated with payroll deductions pursuant to such Subscription Agreement, exceeds fifteen percent (15%) of the Participant's

Compensation during the Offering Period. The Company shall refund to the Participant in accordance with Section 11.4 any excess Purchase Price payment received from the Participant.

11.2 **Pro Rata Allocation of Shares.** If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1 or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Board pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 **Delivery of Certificates.** As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant of a certificate representing the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker designated by the Company that will hold such shares for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant and his or her spouse, or, if applicable, in the names of the heirs of the Participant.

11.4 **Return of Cash Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Offering Period.

11.5 **Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, of the Participating Company Group which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 **Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 **Provision of Reports and Stockholder Information to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. **WITHDRAWAL FROM PLAN.**

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company's designated office a written notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an

Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company's designated office for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Payroll Deductions.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. TERMINATION OF EMPLOYMENT OR ELIGIBILITY.

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. CHANGE IN CONTROL.

14.1 **Definitions.**

(a) An *"**Ownership Change Event**"* shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A *"**Change in Control**"* shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, the *"**Transaction**"*) wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or, in the case of a Transaction described in Section 14.1(a)(iii), the corporation or other business entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Board shall have the right to determine whether multiple sales or exchanges of the voting

securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

14.2 **Effect of Change in Control on Purchase Rights.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the *"**Acquiring Corporation**"*), may, without the consent of any Participant, assume the Company's rights and obligations under the Plan. If the Acquiring Corporation elects not to assume the Company's rights and obligations under the Plan, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Board, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **NONTRANSFERABILITY OF PURCHASE RIGHTS.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **COMPLIANCE WITH SECURITIES LAW.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act of 1933, as amended, shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **RIGHTS AS A STOCKHOLDER AND EMPLOYEE.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.2. Nothing herein shall confer upon a Participant any right to continue in the employ of the

Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **LEGENDS.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

19. **NOTIFICATION OF DISPOSITION OF SHARES.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name (or, if elected by the Participant, in the name of the Participant and his or her spouse but not in the name of any nominee) until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

20. **DESIGNATION OF BENEFICIARY.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 **Absence of Beneficiary Designation.** If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative.

21. **NOTICES.**

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **AMENDMENT OR TERMINATION OF THE PLAN.**

The Board may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Board and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Board as Participating Companies. Notwithstanding the foregoing, in the event that the Board determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company as a result of a change after the Effective Date in the generally accepted accounting principles applicable to the Plan, the Board may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (a) terminate the Plan or any Offering Period, (b) accelerate the Purchase Date of any Offering Period, (c) reduce the discount applicable in determining the Purchase Price of any Offering Period, (d) reduce the maximum number of shares of Stock that may be purchased in any Offering Period or (e) take any combination of the foregoing actions.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the GSI Technology, Inc. 2004 Employee Stock Purchase Plan as duly adopted by the Board on April 7, 2004.

QuickLinks

Exhibit 10.6

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE—MODIFIED NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. Basic Provisions ("Basic Provisions").

1.1 **Parties**: This Lease ("**Lease**"), dated for reference purposes only, March 16, 2000, is made by and between Sheridan Investment Company ("**Lessor**") and Giga Semiconductor, Inc., a California corporation ("**Lessee**"), (collectively the "**Parties**," or individually a "**Party**").

1.2 (a) **Premises**: That certain portion of the Building, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 2360 Owen Street, located in the City of Santa Clara, County of Santa Clara, State of California, with zip code 95054, as outlined on Exhibit A attached hereto ("**Premises**"). The "**Building**" is that certain building containing the Premises and generally described as (describe briefly the nature of the Building): approximately 11,824+ square feet of Office/R&D space being a portion of a larger free-standing building. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the Building or to any other buildings in the Industrial Center. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Industrial Center**." (Also see Paragraph 2.)

1.2 (b) **Parking**: Forty-four (44) unreserved vehicle parking spaces ("**Unreserved Parking Spaces**"); and N/A reserved vehicle parking spaces ("**Reserved Parking Spaces**"). (Also see Paragraph 2.6.)

1.3 **Term**: 5 years and 0 months ("**Original Term**") commencing May 1, 2000 ("**Commencement Date**") and ending April 30, 2005 ("**Expiration Date**"). (Also see Paragraph 3.)

1.4 **Early Possession**: N/A ("**Early Possession Date**"). (Also see Paragraph 3.2 and 3.3.)

1.5 **Base Rent**: $24,830.00 per month ("**Base Rent**"), payable on the first day of each month commencing May 1, 2000. (Also see Paragraph 4.)

☒ If this box is checked, this Lease provides for the Base Rent to be adjusted per Addendum 49, attached hereto.

1.6 (a) **Base Rent Paid Upon Execution**: $24,830.00 as Base Rent for the period May 1, 2000—May 31, 2000.

1.6 (b) **Lessee's Share of Common Area Operating Expenses**: Fifty-eight point one percent (58.1%) ("**Lessee's Share**") as determined by o prorata square footage of the Premises as compared to the total square footage of the Building or o other criteria as described in Addendum .

1.7 **Security Deposit**: $75,000.00 (see Addendum Par 50) ("**Security Deposit**"). (Also see Paragraph 5.)

1.8 **Permitted Use**: Office, testing of electronic components, storage and distribution and other related legal uses thereto ("**Permitted Use**") (Also see Paragraph 6.)

1.9 **Insuring Party**. Lessor is the "**Insuring Party**." (Also see Paragraph 8.)

1.10 (a) **Real Estate Brokers**. The following real estate broker(s) (collectively, the "**Brokers**") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

☒ Cornish & Carey Commercial / BT Commercial represents Lessor exclusively ("**Lessor's Broker**");

☒ Equus Associates represents Lessee exclusively ("**Lessee's Broker**"); or

o _____ represents both Lessor and Lessee ("**Dual Agency**"). (Also see Paragraph 15.)

1.10 (b) **Payment to Brokers**. Upon the execution of this Lease by both Parties, Lessor shall pay to said Broker(s) jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Broker(s) (or in the event there is no separate written agreement between Lessor and said Broker(s), the sum as per separate agreement for brokerage services rendered by said Broker(s) in connection with this transaction.

1.11 **Guarantor**. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("**Guarantor**"). (Also see Paragraph 37.)

1.12 **Addenda and Exhibits**. Attached hereto is an Addendum or Addenda consisting of Paragraph 49 through 52, and Exhibits A through A, all of which constitute a part of this Lease.

2. Premises, Parking and Common Areas.

2.1 **Letting**. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental and/or Common Area Operating Expenses, is an approximation which Lessor and Lessee agree is reasonable and the rental and Lessee's Share (as defined in Paragraph 1.6(b)) based thereon is not subject to revision whether or not the actual square footage is more or less.

2.2 **Condition**. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, electrical systems, fire sprinkler system, lighting, air conditioning and heating systems, and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within ninety (90) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 **Compliance with Covenants, Restrictions and Building Code**. Lessor warrants that any improvements (other than those constructed by Lessee or at Lessee's direction) on or in the Premises which have been constructed or installed by Lessor or with Lessor's consent or at Lessor's direction shall comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Lessor further warrants to Lessee that Lessor has no knowledge of any claim having been made by any governmental agency that a violation or violations of applicable building codes, regulations, or ordinances exist with regard to the Premises as of the Commencement Date. Said warranties shall not apply to any Alterations or Utility Installations (defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranties, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee given within six (6) months following the Commencement Date and setting forth with specificity the nature and extent of such non-compliance, take such action, at Lessor's expense, as may be reasonable or appropriate to rectify the non-compliance. Lessor makes no warranty that the Permitted Use in Paragraph 1.8 is permitted for the Premises under Applicable Laws (as defined in Paragraph 2.4).

2.4 **Acceptance of Premises**. Lessee hereby acknowledges: (a) that it has been advised by the Broker(s) to satisfy Itself with respect to the condition of the Premises including, but not limited to, the

electrical and fire sprinkler systems, security, environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations, and any covenants or restrictions of record (collectively, "**Applicable Laws**") and the present and future suitability of the Premises for Lessee's intended use; (b) that Lessee has made such investigation as it deems necessary with reference to such matters, is satisfied with reference thereto, and assumes all responsibility therefore as the same relate to Lessee's occupancy of the Premises and/or the terms of this Lease; and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

2.5 **Lessee as Prior Owner/Occupant**. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

2.6 **Vehicle Parking**. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "**Permitted Size Vehicles**." Vehicles other than Permitted Size Vehicles shall be parked and loaded or unloaded as directed by Lessor in the Rules and Regulations (as defined in Paragraph 40) issued by Lessor. (Also see Paragraph 2.9.)

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(c) Lessor shall at the Commencement Date of this Lease provide the parking facilities required by Applicable Law.

2.7 **Common Areas—Definition**. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Industrial Center and interior utility raceways within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other lessees of the Industrial Center and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights**. Lessor hereby grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Industrial Center. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and

remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations**. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable Rules and Regulations with respect thereto in accordance with Paragraph 40. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said rules and regulations by other lessees of the Industrial Center.

2.10 **Common Areas—Changes**. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Industrial Center to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Industrial Center, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Industrial Center as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. Term.

3.1 **Term**. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession**. If an Early Possession Date is specified in Paragraph 1.4 and if Lessee totally or partially occupies the Premises after the Early Possession Date but prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early occupancy. All other terms of this Lease, however (including, but not limited to, the obligations to pay Lessee's Share of Common Area Operating Expenses and to carry the insurance required by Paragraph 8), shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

3.3 **Delay in Possession**. If for any reason Lessor cannot deliver possession of the Premises to Lessee by the Early Possession Date, if one is specified in Paragraph 1.4, or if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days after the end of said sixty (60) day period, cancel this Lease, in which event the

Parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the Original Term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to the period during which the Lessee would have otherwise enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee.

4. Rent.

4.1 **Base Rent**. Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one full month shall be prorated based upon the actual number of days of the month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

4.2 **Common Area Operating Expenses**. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6(b)) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "**Common Area Operating Expenses**" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Industrial Center, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, of the following:

(aa) The Common Areas, including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators and roof.

(bb) Exterior signs and any tenant directories.

(cc) Fire detection and sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas.

(iii) Trash disposal, property management and security services and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Real Property Taxes (as defined in Paragraph 10.2) to be paid by Lessor for the Building and the Common Areas under Paragraph 10 hereof.

(vi) The costs of the premiums for the insurance policies maintained by Lessor under Paragraph 8 hereof.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Industrial Center or to the operation, repair and maintenance thereof, shall be allocated entirely to the Building or to such other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Industrial Center.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Industrial Center already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within ten (10) days after a reasonably detailed Statement of actual expenses is presented to Lessee by Lessor. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12-month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within sixty (60) days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during said preceding year exceed Lessee's Share as indicated on said statement, Lessee shall be credited the amount of such overpayment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during said preceding year were less than Lessee's Share as indicated on said statement, Lessee shall pay to Lessor the amount of the deficiency within ten (10) days after delivery by Lessor to Lessee of said statement.

5. **Security Deposit**. Lessee shall deposit with Lessor upon Lessee's execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Permitted Use**.

(a) Lessee shall use and occupy the Premises only for the Permitted Use set forth in Paragraph 1.8, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to the Premises or neighboring premises or properties.

(b) Lessor hereby agrees to not unreasonably withhold or delay its consent to any written request by Lessee, Lessee's assignees or subtenants, and by prospective assignees and subtenants of Lessee, its assignees and subtenants, for a modification of said Permitted Use, so long as the same will not impair the structural integrity of the improvements on the Premises or in the Building or the mechanical or electrical systems therein, does not conflict with uses by other lessees, is not significantly more burdensome to the Premises or the Building and the improvements thereon, and is otherwise permissible pursuant to this Paragraph 6. If Lessor elects to withhold such consent, Lessor shall within five (5) business days after such request give a written notification of same, which notice shall include an explanation of Lessor's reasonable objections to the change in use.

6.2 Hazardous Substances.

(a) **Reportable Uses Require Consent**. The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. Lessee shall not engage in any activity in or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements (as defined in Paragraph 6.3). "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank; (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority; and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but upon notice to Lessor and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the Permitted Use, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefore, including, but not limited to, the installation (and, at Lessor's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof.

(b) **Duty to inform Lessor**. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Building,

other than as previously consented to by Lessor, Lessee shall immediately give Lessor written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including, but not limited to, all such documents as may be involved in any Reportable Use involving the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing or sanitary sewer system).

(c) **Indemnification**. Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 6.2(c) shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 **Lessee's Compliance with Requirements**. Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "**Applicable Requirements**," which term is used in this Lease to mean all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including, but not limited to, matters pertaining to (i) industrial hygiene; (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions; and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill, or release of any Hazardous Substance), now in effect or which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection; Compliance with Law**. Lessor, Lessor's agents, employees, contractors and designated representatives, and the holders of any mortgages, deeds of trust or ground leases on the Premises ("**Lenders**") shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Requirements (as defined in Paragraph 6.3), and Lessor shall be entitled to employ experts and/or consultants in connection therewith to advise Lessor with respect to Lessee's activities, including but not limited to Lessee's installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease by Lessee or a violation of Applicable Requirements or a contamination, caused or materially contributed to by Lessee, is found to exist or to be imminent, or unless the inspection is requested or ordered by a governmental authority as the result

of any such existing or imminent violation or contamination. In such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

7. Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations.

7.1 **Lessee's Obligations**.

(a) Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants, Restrictions and Building Code), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities specifically serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire hose connections if within the Premises, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights, but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2 below. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain a contract, with copies to Lessor, in customary form and substance for and with a contractor specializing and experienced in the inspection, maintenance and service of the heating, air conditioning and ventilation System for the Premises. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain the contract for the heating, air conditioning and ventilating systems, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, in accordance with Paragraph 13.2 below.

7.2 **Lessor's Obligations**. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance with Covenants. Restrictions and Building Code), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler and/or standpipe and hose (if located in the Common Areas) or other automatic fire extinguishing system including fire alarm and/or smoke detection systems and equipment, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Building, Industrial Center or Common Areas in good order, condition and repair.

7.3 **Utility Installations, Trade Fixtures, Alterations**.

(a) **Definitions; Consent Required**. The term "**Utility Installations**" is used in this Lease to refer to all air lines, power panels, electrical distribution, security, fire protection systems, communications systems, lighting fixtures, heating, ventilating and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment which can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements on the Premises which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures. "**Lessee-Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make nor cause to be made any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without Lessor's consent but upon notice to Lessor, so long as they are not visible from the outside of the Premises, do not involve puncturing, relocating or removing the roof or any existing walls, or changing or interfering with the fire sprinkler or fire detection systems and the cumulative cost thereof during the term of this Lease as extended does not exceed $2,500.00.

(b) **Consent**. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be in compliance with all Applicable Requirements. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs $2,500.00 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation.

(c) **Lien Protection**. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on, or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense, defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor, in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys' fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 **Ownership, Removal, Surrender, and Restoration**.

(a) **Ownership**. Subject to Lessor's right to require their removal and to cause Lessee to become the owner thereof as hereinafter provided in this Paragraph 7.4, all Alterations and Utility Installations made to the Premises by Lessee shall be the property of and owned by Lessee, but considered a part of the Premises. Lessor may, at any time and at its option, elect in writing to Lessee to be the owner of all or any specified part of the Lessee-Owned Alterations and Utility Installations. Unless otherwise instructed per Subparagraph 7.4(b) hereof, all Lessee-Owned Alterations and Utility Installations shall, at the expiration or earlier termination of this Lease, become the property of Lessor and remain upon the Premises and be surrendered with the Premises by Lessee.

(b) **Removal**. Unless otherwise agreed in writing, Lessor may require that any or all Lessee-Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding that their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Alterations or Utility Installations made without the required consent of Lessor.

(c) **Surrender/Restoration**. Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified herein, the Premises, as surrendered, shall include the Alterations and Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Lessee-Owned Alterations and Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Requirements and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. Insurance; Indemnity.

8.1 **Payment of Premiums**. The cost of the premiums for the insurance policies maintained by Lessor under this Paragraph 8 shall be a Common Area Operating Expense pursuant to Paragraph 4.2 hereof. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Commencement Date or Expiration Date.

8.2 **Liability Insurance**.

(a) **Carried by Lessee**. Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee, Lessor and any Lender(s) whose names have been provided to Lessee in writing (as additional insureds) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" endorsement and contain the endorsement for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee

shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor**. Lessor shall also maintain liability insurance described in Paragraph 8.2(a) above, in addition to and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance—Building, improvements and Rental Value**.

(a) **Building and Improvements**. Lessor shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to any Lender(s), insuring against loss or damage to the Premises. Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. Lessee-Owned Alterations and Utility Installations, Trade Fixtures and Lessee's personal property shall be insured by Lessee pursuant to Paragraph 8.4. If the coverage is available and commercially appropriate, Lessor's policy or policies shall insure against all risks of direct physical loss or damage, including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Building required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss, but not including plate glass insurance. Said policy or policies shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.

(b) **Rental Value**. Lessor shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and any Lender(s), insuring the loss of the full rental and other charges payable by all lessees of the Building to Lessor for one year (including all Real Property Taxes, insurance costs, all Common Area Operating Expenses and any scheduled rental increases). Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, Real Property Taxes, insurance premium costs and other expenses, if any, otherwise payable, for the next 12-month period. Common Area Operating Expenses shall include any deductible amount in the event of such loss.

(c) **Adjacent Premises**. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Industrial Center if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements**. Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee-Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property Insurance**. Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Trade Fixtures and Lessee-Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by

Lessor as the Insuring Party under Paragraph 8.3(a). Such insurance shall be full replacement cost coverage with a deductible not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property and the restoration of Trade Fixtures and Lessee-Owned Alterations and Utility Installations. Upon request from Lessor, Lessee shall provide Lessor with written evidence that such insurance is in force.

8.5 **Insurance Policies**. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. Lessee shall cause to be delivered to Lessor, within seven (7) days after the earlier of the Early Possession Date or the Commencement Date, certified copies of, or certificates evidencing the existence and amounts of, the insurance required under Paragraph 8.2(a) and 8.4. No such policy shall be cancelable or subject to modification except after thirty (30) days' prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand.

8.6 **Waiver of Subrogation**. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. Lessor and Lessee agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity**. Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee, upon notice from Lessor, shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 **Exemption of Lessor from Liability**. Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other lessee of Lessor nor from the failure by Lessor to enforce the provisions of any

other lease in the Industrial Center. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. Damage or Destruction.

9.1 **Definitions**.

(a) "**Premises Partial Damage**" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than fifty percent (50%) of the then Replacement Cost (as defined in Paragraph 9.1(d)) of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations, the repair cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost of the Premises (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures) immediately prior to such damage or destruction. In addition, damage or destruction to the Building, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building, the cost of which damage or destruction is fifty percent (50%) or more of the then Replacement Cost (excluding Lessee-Owned Alterations and Utility Installations and Trade Fixtures of any lessees of the Building) of the Building shall, at the option of Lessor, be deemed to be Premises Total Destruction.

(c) "**Insured Loss**" shall mean damage or destruction to the Premises, other than Lessee-Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a) irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of applicable building codes, ordinances or laws, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Premises Partial Damage—Insured Loss**. If Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee-Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect. In the event, however, that there is a shortage of insurance proceeds and such shortage is due to the fact that, by reason of the unique nature of the improvements in the Premises, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, Lessor shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If Lessor does not receive such funds or

assurance within such ten (10) day period, and if Lessor does not so elect to restore and repair, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage—Uninsured Loss**. If Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect), Lessor may, at Lessor's option, either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's Intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following such commitment from Lessee. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 **Total Destruction**. Notwithstanding any other provision hereof, if Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 9.7.

9.5 **Damage Near End of Term**. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option, and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten (10) days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate as of the date set forth in the first sentence of this Paragraph 9.5.

9.6 Abatement of Rent; Lessee's Remedies.

(a) In the event of (i) Premises Partial Damage or (ii) Hazardous Substance Condition for which Lessee is not legally responsible, the Base Rent, Common Area Operating Expenses and

other charges, if any, payable by Lessee hereunder for the period during which such damage or condition, its repair, remediation or restoration continues, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not in excess of proceeds from insurance required to be carried under Paragraph 8.3(b). Except for abatement of Base Rent, Common Area Operating Expenses and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair, remediation or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after the receipt of such notice, this Lease shall continue in full force and effect. "**Commence**" as used in this Paragraph 9.6 shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

9.7 **Hazardous Substance Conditions**. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(c) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the excess costs of (a) investigation and remediation of such Hazardous Substance Condition to the extent required by Applicable Requirements, over (b) an amount equal to twelve (12) times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following said commitment by Lessee. In such event this Lease shall Continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time period specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.8 **Termination—Advance Payments**. Upon termination of this Lease pursuant to this Paragraph 9, Lessor shall return to Lessee any advance payment made by Lessee to Lessor and so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor under the terms of this Lease.

9.9 **Waiver of Statutes**. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises and the Building with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent it is inconsistent herewith.

10. Real Property Taxes.

10.1 **Payment of Taxes**. Lessor shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Industrial Center, and except as otherwise provided in Paragraph 10 3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.2 **Real Property Tax Definition**. As used herein, the term "**Real Property Taxes**" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the industrial Center by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage, or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Industrial Center or any portion thereof. Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "**Real Property Taxes**" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in Applicable Law taking effect, during the term of this Lease, including, but not limited to, a change in the ownership of the Industrial Center or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Properly Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.3 **Additional Improvements**. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Industrial Center by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.1 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment**. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Lessee's Property Taxes**. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or stored within the Industrial Center. When possible, Lessee shall cause its Lessee-Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities**. Lessee shall pay directly for all utilities and Services supplied to the Premises, including, but not limited to, electricity, telephone, security, gas and cleaning of the Premises, together with any taxes thereon. If any such utilities or services are not separately metered to the Premises or separately billed to the Premises, Lessee shall pay to Lessor a reasonable proportion to be determined by Lessor of all such charges jointly metered or billed with other premises in the Building, in the manner and within the time periods set forth in Paragraph 4.2(d).

12. Assignment and Subletting.

12.1 **Lessor's Consent Required**.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assign") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, refinancing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee, as hereinafter defined, by an amount equal to or greater than fifty percent (50%) of such Net Worth of Lessee as it was represented to Lessor at the time of full execution and delivery of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, at whichever time said Net Worth of Lessee was or is greater, shall be considered an assignment of this Lease by Lessee to which Lessor may reasonably withhold its consent "**Net Worth of Lessee**" for purposes of this Lease shall be the net worth of Lessee (excluding any Guarantors) established under generally accepted accounting principles consistently applied.

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1, or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a non-curable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days' written notice ("**Lessor's Notice**"), increase the monthly Base Rent for the Premises to the greater of the then fair market rental value of the Premises, as reasonably determined by Lessor, or one hundred ten percent (110%) of the Base Rent then in effect. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value as reasonably determined by Lessor (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition) or one hundred ten percent (110%) of the price previously in effect, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new rental bears to the Base Rent in effect immediately prior the adjustment specified in Lessor's Notice.

(e) Lessee's remedy for any breach of this Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting**.

(a) Regardless of Lessor's consent, any assignment or subletting shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Lessor may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for the Default or Breach by Lessee of any of the terms, covenants or conditions of this Lease.

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the assignee or sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or the sublease.

(d) In the event of any Default or Breach of Lessee's obligation under this Lease, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of the Lessee's obligations under this Lease, including any sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including, but not limited to, the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of $1,000 or ten percent (10%) of the monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment schedule of the rent payable under this Lease be adjusted to what is then the market value and/or adjustment schedule for property similar to the Premises as then constituted, as determined by Lessor.

12.3 **Additional Terms and Conditions Applicable to Subletting**. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made

by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease, Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of the foregoing provision or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against such sublessee, or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior defaults or breaches of such sublessor under such sublease.

(c) Any matter or thing requiring the consent of the sublessor under a sublease shall also require the consent of Lessor herein.

(d) No sublessee under a sublease approved by Lessor shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, of any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 **Default; Breach**. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), $350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said default. A "**Default**" by Lessee is defined as a failure by Lessee to Observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "**Breach**" by Lessee is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent, Lessee's Share of Common Area Operating Expenses, or any other monetary payment required to be made by Lessee hereunder as and when due, the failure by

Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with Applicable Requirements per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the rescission of an unauthorized assignment or subletting per Paragraph 12.1, (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof that are to be observed, complied with or performed by Lessee, other than those described in Subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Lessor to Lessee; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to lake possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this Subparagraph 13.1(e) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of the remaining provisions.

(f) The discovery by Lessor that any financial statement of Lessee or of any Guarantor, given to Lessor by Lessee or any Guarantor, was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory breach basis, and Lessee's failure, within sixty (60) days following written notice by or on behalf of Lessor to Lessee of any such event, to provide Lessor with written alternative assurances of security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies**. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including, but not limited to, the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its own option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee (as defined in Paragraph 13.1), with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Lessor's right to recover damages under this Paragraph 13.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under Subparagraphs 13.1(b), (c) or (d) was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Subparagraph 13.1(b), (c) or (d). In such case, the applicable grace period under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Lessor and Lessee agree that the limitations on assignment and subletting in this Lease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under this Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture In Event of Breach**. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions**" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach (as defined in Paragraph 13.1) of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor, as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph 13.3 shall not be deemed a waiver by Lessor of the provisions of this Paragraph 13.3 unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges**. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to six percent (6%) of such overdue amount. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shaft, at Lessor's option, become due and payable quarterly in advance.

13.5 **Breach by Lessor**. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by any Lender(s) whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. **Condemnation**. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor

area of the Premises, or more than twenty-five percent (25%) of the portion of the Common Areas designated for Lessee's parking, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the Premises. No reduction of Base Rent shall occur if the condemnation does not apply to any portion of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution of value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above Lessee's share of the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair.

15. Brokers' Fees.

15.1 **Procuring Cause**. The Broker(s) named in Paragraph 1.10 is/are the procuring cause of this Lease.

15.2 **Additional Terms**. Unless Lessor and Broker(s) have otherwise agreed in writing, Lessor agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) granted under this Lease or any Option subsequently granted, or (b) if Lessee acquires any rights to the Premises or other premises in which Lessor has an interest, or (c) if Lessee remains in possession of the Premises with the consent of Lessor after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent properly in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Broker(s) a fee in accordance with the schedule of said Broker(s) in effect at the time of the execution of this Lease.

15.3 **Assumption of Obligations**. Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be an intended third party beneficiary of the provisions of Paragraph 1.10 and of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.4 **Representations and Warranties**. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder other than as named in Paragraph 1.10(a) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Broker(s) is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, and/or attorneys' fees reasonably incurred with respect thereto.

16. Tenancy and Financial Statements.

16.1 **Tenancy Statement**. Each Party (as "**Responding Party**") shall within ten (10) days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in a form similar to the then most current "**Tenancy Statement**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

16.2 **Financial Statement**. If Lessor desires to finance, refinance, or sell the Premises or the Building, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including, but not limited to, Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Lessor's Liability**. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15.3, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability**. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Interest on Past-Due Obligations**. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within ten (10) days following the date on which it was due, shall bear interest from the date due at the prime rate charged by the largest state chartered bank in the state in which the Premises are located plus four percent (4%) per annum, but not exceeding the maximum rate allowed by law, in addition to the potential late charge provided for in Paragraph 13.4.

20. **Time of Essence**. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

21. **Rent Defined**. All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

22. **No Prior or Other Agreements; Broker Disclaimer**. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. Each Broker shall be an intended third party beneficiary of the provisions of this Paragraph 22.

23. Notices.

23.1 **Notice Requirements**. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by messenger or courier service) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission during normal business hours, and shall be deemed sufficiently given if served in a manner

specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notice purposes. Either Party may by written notice to the other specify a different address for notice purposes, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for the purpose of mailing or delivering notices to Lessee. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by written notice to Lessee.

23.2 **Date of Notice**. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail, the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone or facsimile confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday or a Sunday or a legal holiday, it shall be deemed received on the next business day.

24. **Waivers**. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or any other terms, covenant or condition hereof. Lessor's consent to, or approval of, any such act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any Default or Breach by Lessee of any provision hereof. Any payment given Lessor by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Recording**. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. **No Right to Holdover**. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease. In the event that Lessee holds over in violation of this Paragraph 26 then the Base Rent payable from and after the time of the expiration or earlier termination of this Lease shall be increased to two hundred percent (200%) of the Base Rent applicable during the month immediately preceding such expiration or earlier termination. Nothing contained herein shall be construed as a consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies**. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions**. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

29. **Binding Effect; Choice of Law**. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the state in which the Premises

are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 **Subordination**. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default pursuant to Paragraph 13.5. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment**. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 **Non-Disturbance**. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

30.4 **Self-Executing**. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any such subordination or non-subordination, attornment and/or non-disturbance agreement as is provided for herein.

31. **Attorneys' Fees**. If any Party or Broker brings an action or proceeding to enforce the terms hereof declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. Lessor shall be entitled to attorneys' fees, costs and expenses incurred in preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. Broker(s) shall be intended third party beneficiaries of this Paragraph 31.

32. **Lessor's Access; Showing Premises; Repairs**. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the Building, as Lessor may

reasonably deem necessary. Lessor may at any time place on or about the Premises or Building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred eighty (180) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of Rent or liability to Lessee.

33. **Auctions**. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. **Signs**. Lessee shall not place any sign upon the exterior of the Premises or the Building, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business so long as such signs are in a location designated by Lessor and comply with Applicable Requirements and the signage criteria established for the Industrial Center by Lessor. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof of the Building, and the right to install advertising signs on the Building, including the roof, which do not unreasonably interfere with the conduct of Lessee's business; Lessor shall be entitled to all revenues from such advertising signs.

35. **Termination; Merger**. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Lessor shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Lessor's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents.

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including, but not limited to, architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including, but not limited to, consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. In addition to the deposit described in Paragraph 12.2(e), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall

not preclude the impositions by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. Guarantor.

37.1 **Form of Guaranty**. If there are to be any Guarantors of this Lease per Paragraph 1.11, the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease, including, but not limited to, the obligation to provide the Tenancy Statement and information required in Paragraph 16.

37.2 **Additional Obligations of Guarantor**. It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give: (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession**. Upon payment by Lessee of the Rent for the Premises and the performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. Options.

39.1 **Definition**. As used in this Lease, the word "**Option**" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase the Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

39.2 **Options Personal to Original Lessee**. Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately or apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.

39.3 **Multiple Options**. In the event that Lessee has any multiple Options to extend or renew this Lease, a later option cannot be exercised unless the prior Options to extend or renew this Lease have been validly exercised.

39.4 **Effect of Default on Options**.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease,

or (iv) in the event that Lessor has given to Lessee three (3) or more notices of separate Default under Paragraph 13.1 during the twelve (12) month period immediately preceding the exercise of the Option, whether or not the Defaults are cured.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three (3) or more notices of separate Defaults under Paragraph 13.1 during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Rules and Regulations**. Lessee agrees that it will abide by, and keep and observe all reasonable rules and regulations ("**Rules and Regulations**") which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Industrial Center and their invitees.

41. **Security Measures**. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. **Reservations**. Lessor reserves the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights of way, utility raceways, and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights of way, utility raceways, dedications, maps and restrictions do not reasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. **Performance Under Protest**. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. **Authority**. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

45. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. **Offer**. Preparation of this Lease by either Lessor or Lessee or Lessor's agent or Lessee's agent and submission of same to Lessee or Lessor shall not be deemed an offer to lease. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. **Amendments**. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. The Parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional insurance company or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. **Multiple Parties**. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR YOUR ATTORNEY'S REVIEW AND APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY FOR THE POSSIBLE PRESENCE OF ASBESTOS, UNDERGROUND STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKERS OR THEIR CONTRACTORS, AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

The Parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Palo Alto, CA

on: April 12, 2000

By LESSOR:
SHERIDAN INVESTMENT COMPANY

By: /s/ ALLAN F. BROWN

Name Printed: ALLAN F. BROWN

Title: GENERAL PARTNER
By:

Name Printed:

Title:

Address: 3197 PARK BOULEVARD, PALO ALTO, CA 94306-2233
Telephone: (650) 849-9900 X113
Facsimile: (650) 849-9908

BROKER:
Executed at:

on:

By:

Name Printed:

Title:

Title:

Address:

Telephone: ( )

Facsimile: ( )

Executed at:

on:

By LESSEE:
GIGA SEMICONDUCTOR, INC., A CALIFORNIA CORPORATION

By: /s/ LEE-LEAN SHU

Name Printed: LEE-LEAN SHU

Title: PRESIDENT
By:

Name Printed:

Title:

Address: 2371 OWEN STREET, SANTA CLARA, CA 95954
Telephone: (408) 980-8388
Facsimile: (408) 980-8377

BROKER:
Executed at:

on:

By:

Name Printed:

Title:

Title:

Address:

Telephone: ( )

Facsimile: ( )

NOTE: These forms are often modified to meet changing requirements of law and needs of the Industry. Always write or call to make sure you are utilizing the most current form AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 700 South Flower Street, Suite 600, Los Angeles, California 90017, (213) 687-8777.

DISCLOSURE REQUIREMENTS

Date:	March 16, 2000	**Subject Property:**	2360 Owen Street
Lessor:	Sheridan Investment Company	**Subject Property:**	Santa Clara, California
Lessee:	Giga Semiconductor, Inc. a California corporation	**Brokers:**	Cornish & Carey Commercial BT Commercial Equus Associates

Various laws, regulations and policies require us to disclose the following information:

1. ***Alquist-Priolo Notification: Alquist-Priolo Special Earthquake Studies Zone Act***:

The Property described above is or may be situated in a "Special Study Zone" as designated under the Alquist-Priolo Special Studies Zone Act, Sections 2621-2630, inclusive, of the California Public Resources Code; and, as such, the construction or development on the Property of any structure for human occupancy may be subject to the findings of a geologic report prepared by a geologist registered in the State of California, unless such report is waived by the city or county under the terms of that act. No representations on the subject are made by Lessor or by Cornish & Carey Commercial, or its agents or employees, and the Lessee should make his/her/its own inquiry or investigation.

2. ***Notification re: National Flood Insurance Program***:

The Property is or may be located in a Special Flood Hazard Area on United States Department of Housing and Urban Development (H.U.D.) "Special Flood Zone Area Maps." Federal law requires that as a condition of obtaining federally related financing on most properties located in "flood zones," banks, savings and loan associations, and some insurance lenders require flood insurance be carried where the property, real or personal, is security for a loan. This requirement is mandated by the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973. Cities or counties may have adopted building or zoning restrictions, or other measures which could affect the value of the property. Lessee should contact the city or county in which the property is located to determine any such restrictions. The extent of coverage available in this area and the cost of this coverage may vary, and for further information, Lessee should consult a lender or insurance carrier.

3. ***Hazardous Wastes of Substances and Underground Storage Tanks***:

Comprehensive federal and state laws and regulations have been enacted in the past several years in an effort to control the use, storage, handling, clean-up, removal and disposal of hazardous wastes or substances. Some of these laws and regulations (such as, for example, the Comprehensive Environmental Response Compensation and Liability Act [CERCLA]) provide for broad liability on the part of owners, tenants or other users of the property for clean-up costs and damages regardless of fault. Other laws and regulations set standards for the handling of asbestos, and establish requirements for the use, modification, abandonment, and closure of underground storage tanks.

It is not practical or possible to list all such laws and regulations in this Notice. Therefore, Lessors and Lessees are urged to consult legal counsel to determine their respective rights and liabilities with respect to the issues described in this Notice, as well as all other aspects of the proposed transaction. If hazardous wastes or substances have been, or are going to be used, stored, handled or disposed of on

the Property, or if the Property has or may have underground storage tanks, it is essential that legal and technical advice be obtained to determine, among other things, the nature of permits and approvals which have been obtained or may be required; the estimated costs and expenses associated with the use, storage, handling, clean-up, disposal or removal of hazardous wastes or substances; and the nature and extent of contractual provisions necessary or desirable in this transaction. Broker recommends expert assistance and site investigation to determine past uses of the property, which may provide valuable information as to the likelihood of hazardous wastes or substances, or underground storage tanks, being on the Property.

Lessor agrees to disclose to Broker and to Lessee any and all information which he/she/it has regarding present and future zoning and environmental matters affecting the Property and regarding the condition of the Property, including, but not limited to structural, mechanical and soils conditions, the presence and location of asbestos, PCB transformers, other toxic, hazardous or contaminated substances, and underground storage tanks, in, on, or about the Property.

Broker has conducted no investigation regarding the subject matter hereof, except as may be contained in separate written document signed by Broker. Broker makes no representations concerning the existence or nonexistence of hazardous wastes or substances, or underground storage tanks, in, on, or about the Property. Lessee should contact a professional, such as a civil engineer, industrial hygienist or other persons with experience in these matters, to advise on these matters.

The term "hazardous wastes or substances" is used herein in its very broadest sense and includes, but is not limited to, petroleum based products, paints and solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonium compounds, asbestos, PCBs and other chemical products. Hazardous wastes or substances and underground storage tanks may be present on all types of real property. This Notice is intended to apply to any transaction involving any type of real property, whether improved or unimproved.

4. ***The Americans With Disabilities Act***:

Please be advised that an owner or tenant of real property may be subject to the Americans With Disabilities Act (the ADA). The Act requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons. You are advised to consult your attorney with respect to the application of this Act to the Property. Cornish & Carey Commercial cannot give you legal advice on this Act or its requirements.

5. ***Broker Disclosure***:

The parties hereby expressly acknowledges that Broker has made no independent determination or investigation regarding, but not limited to, the following: present or future use of the Property; environmental matters affecting the Property; the condition of the Property, including, but not limited to structural, mechanical and soils conditions, as well as issues surrounding hazardous wastes or substances as set out above; violations of the Occupational Safety and Health Act or any other federal, state, county or municipal laws, ordinances, or statutes; measurements of land and/or buildings. Lessee agrees to make its own investigation and determination regarding such items.

Receipt of a copy of this Notice and Agreement is hereby acknowledged.

Acknowledged and Agreed:

Lessor: SHERIDAN INVESTMENT COMPANY

By: /s/ ALAN F. BROWN

Alan F. Brown General Partner

Date: April 11, 2000

Lessee: GIGA SEMICONDUCTOR, INC.,
a California corporation

By: /s/ LEE-LEAN SHU

Lee-Lean Shu, President

Date: _____

Broker: CORNISH & CAREY COMMERCIAL

By: /s/ FRANK COX

Frank Cox

Date: 4/12/00

Broker: BT COMMERCIAL

By: _____

Brian McCarthy

Date: _____

Broker: EQUUS ASSOCIATES

By: /s/ DEAN CHESNUT

Dean Chesnut

Date: _____

CONSULT YOUR ADVISORS: NO REPRESENTATION OR RECOMMENDATION IS MADE BY CORNISH & CAREY COMMERCIAL OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL EFFECT, INTERPRETATION, OR ECONOMIC CONSEQUENCES OF THE NATIONAL FLOOD INSURANCE PROGRAM AND RELATED LEGISLATION, NOR OF OTHER LEGISLATION REFERRED TO HEREIN. THESE ARE QUESTIONS THAT YOU SHOULD ADDRESS WITH YOUR CONSULTANTS AND ADVISORS.

LEASE ADDENDUM

ADDENDUM TO THE LEASE DATED MARCH 16, 2000, BY AND BETWEEN SHERIDAN INVESTMENT COMPANY (LESSOR) AND GIGA SEMICONDUCTOR, INC., A CALIFORNIA CORPORATION (LESSEE), FOR THOSE PREMISES LOCATED AT 2360 OWEN STREET, SANTA CLARA, CALIFORNIA.

49. Rent Schedule:

Months 01 - 12	$24,830.00 per month NNN
Months 13 - 24	$26,072.00 per month NNN
Months 25 - 36	$27,376.00 per month NNN
Months 37 - 48	$28,744.00 per month NNN
Months 49 - 60	$30,182.00 per month NNN

50. Security Deposit:

As long as Lessee is not in default of the terms and conditions of this Lease, then the twelfth (12th) month of the lease ($24,830.00) shall be paid from the Security Deposit, leaving a security deposit on account of $50,170.00.

51. Tenant Improvements—Lessor:

Lessor shall, at Lessor's sole cost, complete the following repairs and improvements:

A. All interior walls shall be newly painted and Premises shall be thoroughly cleaned.

B. All floors shall be new carpet or VCT, as desired by tenant.

C. All ceilings, except janitors closet and toilet rooms, to have t-bar acoustic.

D. All spaces to have HVAC.

E. Lighting shall be lay-in fluorescent to 80 FC level.

F. Room 121 shall have standard large office electrical (ceiling drops).

51. Tenant Improvements—Lessee:

A. Lessee shall be allowed, at Lessee's sole cost and expense, to add more private offices with Landlord's approval. Landlord approval shall not be unreasonably withheld.

Lessor: SHERIDAN INVESTMENT COMPANY

By: /s/ ALLAN F. BROWN Date: April 11, 2000

Allan F. Brown, General Partner

Lessee: GIGA SEMICONDUCTOR, INC.,
A CALIFORNIA CORPORATION

By: /s/ LEE-LEAN SHU Date:

Lee-Lean Shu, President

AMENDMENT NUMBER ONE TO LEASE

2360 Owen Street
Santa Clara, California 95054

THIS AMENDMENT NUMBER ONE TO LEASE (this "Amendment"), dated for reference purposes as of June 19, 2002, is made and entered into by and between SHERIDAN STREET INVESTMENT COMPANY, L.P., a California Limited Partnership ("Lessor"), and GIGA SEMICONDUCTOR, INC., a California corporation ("Lessee").

RECITALS

A. Lessor and Lessee entered into that certain Standard Industrial/Commercial Multi-Tenant Lease—Modified Net dated as of March 22, 2000 and Addendum to Lease (the "Lease") with regard to certain premises located at 2360 Owen Street, Santa Clara, California 95054 (the "Premises"). Lessee is in possession of the Premises pursuant to the Lease.

B. Lessor and Lessee have agreed to enlarge (by approximately 2,285 square feet) the premises to include the rear warehouse/shipping portion of 2370 Owen Street, as set forth in Exhibit "B". The additional space will be co-terminus with the existing premises.

C. The Base Rent and Common Area Operating Expenses (CAOE) will be adjusted to include the expanded premises.

D. Lessor, at Lessor's sole cost, has agreed to prepare the added premises as set forth below and prior to Lessee occupying the space.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. *Definitions.* All capitalized terms and phrases used but not defined in this Amendment shall have the meanings given to them in the Lease.

2. *Base Rent.* Effective August 1, 2002, Paragraph 1.5 and Paragraph 4., Base Rent, is hereby amended to provide that an additional monthly rent of Three Thousand Eighty-five Dollars ($3,085.00) shall be paid to Lessor.

3. *Lessee's Share.* Paragraph 1.6(b), Lessee's Share of Common Area Operating Expenses, is hereby amended to read as follows:

> "1.6(b) *Lessee's Share of Common Area Operating Expenses:* Sixty-nine point four percent (69.4%) ("Lessee's Share") as determined by pro rata square footage of the Premises as compared to the total square footage of the Building."

5. *Rent Schedule.* Paragraph 49, Rent Schedule, of the Addendum to the Lease is hereby amended to include Lessee paying an additional monthly rent of Three Thousand Eighty-Five Dollars ($3,085.00) commencing August 1, 2002.

6. *Tenant Improvements—Lessor:*

A. The existing double door will be in-filled.

B. One new double door to match existing 2360 Owen St. testing room door will be installed into the demising wall of Lessee's existing testing area. If wall width dimensions do not allow the installation of a double door, a 48" wide single door will be installed.

C. Remove and in-fill single door.

D. Extend drywall to ceiling in storage room.

E. Paint interior full height walls and storage room.

F. Paint ceiling or if feasible, install a cap-sheet to the ceiling.

G. Patch and repair VCT flooring.

H. Connect electrical to 2370 Owen Street and re-lamp strip fixtures.

7. *Effect of Amendment.* Except to the extent the Lease is modified by this Amendment, the remaining terms and provisions of the Lease shall remain unmodified and in full force and effect, including paragraph 3.3 to apply for the added premises. In the event of conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail.

8. *Entire Agreement.* This Amendment embodies the entire understanding between Lessor and Lessee with respect to its subject matter and can be changed only by an instrument in writing signed by Lessor and Lessee.

9. *Counterparts.* This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed, as of the date first above written.

LESSOR:

SHERIDAN INVESTMENT COMPANY, L.P.,
a California limited partnership

By: VANCE BROWN, INC.,
a California corporation,
its General Partner

By: /s/ RAY FRESCHI

Its: Property Manager

LESSEE:

GIGA SEMICONDUCTOR, INC.
a California corporation

By: /s/ LEE-LEAN SHU

Its: CEO

By: /s/ DOUGLAS SCHIRLE

Its: CFO

SECOND AMENDMENT TO LEASE

2360 Owen Street Santa Clara, California 95054

THIS SECOND AMENDMENT TO LEASE (this "Amendment"), dated for reference purposes as of May 13, 2004, is made and entered into by and between SHERIDAN INVESTMENT COMPANY, L.P., a California Limited Partnership ("Lessor"), and GSI TECHNOLOGY, Inc., a California corporation, formerly GIGA SEMICONDUCTOR, INC., a California corporation ("Lessee").

RECITALS

Lessor and Lessee entered into that certain Standard Industrial/Commercial Multi-Tenant Lease—Modified Net dated as of March 16, 2000 and Addendum to Lease (the "Lease") as Amended on June 19, 2002 with regard to certain premises located at 2360 Owen Street, Santa Clara, California 95054 (the "Premises") is hereby further amended. Lessee is in possession of the Premises pursuant to the Lease.

A. Lessor and Lessee have agreed to enlarge (by approximately 6,234 square feet) the premises to include 2370 Owen Street, as set forth in Exhibit "C". The total building size is approximately 20,343 sq. ft.

B. The Base Rent and Common Area Operating Expenses (CAOE) will be adjusted to include the expanded premises.

C. Lessor, at Lessor's sole cost has agreed to prepare the added premises as set forth below within 30 days of fully executing this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. *Definitions*. All capitalized terms and phrases used but not defined in this Amendment shall have the meanings given to them in the Lease.

2. *Term*. The Lease term shall be extended through May 31, 2010.

3. *Base Rent.* Effective June 1, 2004, Paragraph 1.5 and Paragraph 4., Base Rent, is hereby amended to provide that the monthly rent paid to Lessor shall be Twenty Thousand Three Hundred Forty-three Dollars ($20,343.00).

3. *Lessee's Share*. Paragraph 1.6(b), Lessee's Share of Common Area Operating Expenses, is hereby amended to read as follows:

"1.6(b) *Lessee's Share of Common Area Operating Expenses*: One hundred percent (100%).

4. *Rent Schedule*. Paragraph 49, Rent Schedule, of the Addendum to the Lease is hereby amended to include Lessee paying to Lessor the following rental schedule commencing June 1, 2004:

June 1, 2004—May 31, 2005	$20,343 per month NNN
June 1, 2005—May 31, 2006	$20,953 per month NNN
June 1, 2006— May 31, 2007	$21,582 per month NNN
June 1, 2007—May 31, 2008	$22,229 per month NNN
June 1, 2008—May 31, 2009	$22,896 per month NNN
June 1, 2009—May 31, 2010	$23,583 per month NNN

5. *Tenant Improvements—Lessor*:

A new double-door will be installed in the demising wall of Lessee's existing testing area and 2370 Owen St.

A new single door will be installed in the demising wall of the front main office area of tenants existing space to gain access to 2370 Owen St.

The damaged lobby carpet will be replaced.

6. *Effect of Amendment.* Except to the extent the Lease is modified by this Amendment, the remaining terms and provisions of the Lease shall remain unmodified and in full force and effect. In the event of conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail.

7. *Entire Agreement.* This Amendment embodies the entire understanding between Lessor and Lessee with respect to its subject matter and can be changed only by an instrument in writing signed by Lessor and Lessee.

8. *Counterparts.* This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed, as of the date first above written.

LESSOR:

SHERIDAN INVESTMENT COMPANY, L.P.,
a California limited partnership

By: VANCE BROWN, INC.,
a California corporation
its general Partner

By: _____

Its

LESSEE:

GSI TECHNOLOGY, INC.
a California corporation

By: /s/ Lee-Lean Shu

Its

By: /s/ Douglas Schirle

Its

QuickLinks

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 1 to Registration Statement on Form S-1 of our report dated May 25, 2004 relating to the financial statements of GSI Technology, Inc. (formerly Giga Semiconductor, Inc.), which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California
May 25, 2004

QuickLinks