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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 000-33387

GSI Technology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**77-0398779**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2360 Owen Street
Santa Clara, California 95054
(Address of principal executive offices, zip code)

(408) 980-8388
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares of the registrant's common stock outstanding as of October 31, 2009: 27,030,873.

GSI TECHNOLOGY, INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

GSI TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2009	March 31, 2009
	(In thousands, except share and per share amounts)	
ASSETS		
Cash and cash equivalents	$ 18,274	$ 12,597
Short-term investments	18,923	34,740
Accounts receivable, net	7,744	5,622
Inventories	15,817	10,995
Prepaid expenses and other current assets	2,965	2,442
Deferred income taxes	1,101	975
Total current assets	64,824	67,371
Property and equipment, net	7,880	5,126
Long-term investments	28,954	19,428
Other assets	1,770	748
Total assets	$ 103,428	$ 92,673
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 4,954	$ 2,908
Accrued expenses and other liabilities	4,240	1,973
Deferred revenue	3,359	2,736
Total current liabilities	12,553	7,617
Income taxes payable	418	351
Total liabilities	12,971	7,968
Commitments and contingencies (Note 6)		
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: 27,022,873 and 26,719,537 shares, respectively	27	27
Additional paid-in capital	47,372	46,202
Accumulated other comprehensive income	245	230
Retained earnings	42,813	38,246
Total stockholders' equity	90,457	84,705
Total liabilities and stockholders' equity	$ 103,428	$ 92,673

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

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GSI TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Net revenues	$ 14,676	$ 17,094	$ 28,884	$ 34,438
Cost of revenues	8,167	9,276	16,332	18,929
Gross profit	6,509	7,818	12,552	15,509
Operating expenses:				
Research and development	2,727	1,348	4,323	2,601
Selling, general and administrative	2,273	2,369	4,333	4,825
Total operating expenses	5,000	3,717	8,656	7,426
Income from operations	1,509	4,101	3,896	8,083
Interest income, net	233	378	527	749
Other income (expense), net	1,107	(19)	1,107	(75)
Income before income taxes	2,849	4,460	5,530	8,757
Provision for income taxes	403	890	963	2,159
Net income	$ 2,446	$ 3,570	$ 4,567	$ 6,598
Basic and diluted net income per share available to common stockholders:				
Basic	$ 0.09	$ 0.13	$ 0.17	$ 0.24
Diluted	$ 0.09	$ 0.12	$ 0.17	$ 0.23
Weighted average shares used in per share calculations:				
Basic	26,977	28,088	26,925	28,046
Diluted	27,592	28,844	27,458	28,822

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

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GSI TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended September 30,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 4,567	$ 6,598
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for sales returns, doubtful accounts and other	(23)	34
Gain on bargain purchase	(1,119)	—
Provision for excess and obsolete inventories	196	691
Depreciation and amortization	789	644
Stock-based compensation	674	638
Deferred income taxes	(126)	163
Windfall tax benefits from stock options exercised	(179)	(276)
Amortization of bond premium on investments	522	413
Changes in assets and liabilities, net of effects of acquisition:		
Accounts receivable	(2,099)	(2,543)
Inventory	(1,316)	(579)
Prepaid expenses and other assets	(108)	(1,192)
Accounts payable	2,149	(2)
Accrued expenses and other liabilities	855	793
Deferred revenue	623	(319)
Net cash provided by operating activities	5,405	5,063
Cash flows from investing activities:		
Purchase of investments	(16,417)	(30,829)
Proceeds from sales and maturities of investments	22,260	17,500
Acquisition of new business	(5,178)	—
Purchases of property and equipment	(889)	(555)
Net cash used in investing activities	(224)	(13,884)
Cash flows from financing activities:		
Repurchase of common stock	(58)	—
Windfall tax benefits from stock options exercised	179	276
Proceeds from issuance of common stock under employee stock plans	375	440
Net cash provided by financing activities	496	716
Net (decrease) increase in cash and cash equivalents	5,677	(8,105)
Cash and cash equivalents at beginning of the period	12,597	15,899

Cash and cash equivalents at end of the period	$ 18,274	$ 7,794
Non-cash financing activities:		
Purchases of property and equipment through accounts payable and accruals	$ 98	$ 118
Supplemental cash flow information:		
Cash paid for income taxes	$ 166	$ 1,936
Supplemental disclosure of investing activities:		
Fair value of asset acquired	$ 8,013	—
Gain on bargain purchase	(1,119)	—
Unpaid purchase consideration	(1,716)	—
Acquisition of new business, net of gain	$ 5,178	—

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

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GSI TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1—THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of GSI Technology, Inc. and its subsidiaries (“GSI” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the interim financial statements do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. These interim financial statements contain all adjustments (which consist of only normal, recurring adjustments) that are, in the opinion of management, necessary to state fairly the interim financial information included therein. The Company believes that the disclosures are adequate to make the information not misleading. However, these financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2009.

References in this quarterly report on Form 10-Q to “authoritative guidance” are to “The Accounting Standards Codification” issued by the Financial Accounting Standards Board (“FASB”) in June 2009.

The consolidated results of operations for the three months and six months ended September 30, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year.

Significant accounting policies

The Company’s significant accounting policies are disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2009.

Intangible assets are amortized over their estimated useful lives, generally on a straight-line basis over five years to nine years. The Company reviews identifiable amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value.

Comprehensive net income

The Company’s comprehensive net income for the three month and six month periods ended September 30, 2009 and 2008 was as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands)			
Net income	$ 2,446	$ 3,570	$ 4,567	$ 6,598
Net unrealized gain (loss) on available-for-sale investments	14	(105)	15	(301)
Comprehensive net income	$ 2,460	$ 3,465	$ 4,582	$ 6,297

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Recent accounting pronouncements

In August 2009, the FASB issued authoritative guidance for measuring liabilities at fair value that reaffirmed the previous definition of fair value and reintroduced the concept of entry value into the determination of fair value of liabilities. Entry value is the amount an entity would receive to enter into an identical liability. The guidance is effective for the Company’s interim reporting period ending on December 31, 2009. The Company is currently evaluating the impact of the guidance on its financial position, results of operations and cash flows.

In June 2009, the FASB established authoritative guidance relating to accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The implementation of this guidance in the quarter ended September 30, 2009 did not have any impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued authoritative guidance relating to subsequent events. This new guidance does not materially change the previous existing guidance, but introduces the concept of financial statements being *available to be issued.* It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The Company adopted this guidance starting the first quarter of fiscal 2010.

In April 2009, the FASB issued authoritative guidance for business combinations that amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance will require such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with authoritative guidance for contingencies. The guidance became effective for the Company's business combinations for which the acquisition date is on or after April 1, 2009. The Company did not acquire any contingencies as part of the business combination completed during the six months ended September 30, 2009, and the effect of this guidance on future periods will depend on the nature and significance of any business combinations the Company may make that are subject to this guidance.

In April 2009, the FASB issued authoritative guidance which amended previous existing guidance for determining whether impairment is other-than-temporary for debt securities. This guidance requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, this guidance expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. The Company adopted this guidance on April 1, 2009, and its adoption did not have a material impact on the Company's financial position or results of operations.

In April 2009, the FASB issued authoritative guidance that emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. This guidance provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The guidance also requires increased disclosures. The Company adopted this guidance on April 1, 2009, and its adoption did not have a material impact on the Company's financial position or results of operations.

In April 2009, the FASB issued authoritative guidance that requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. The Company adopted this guidance on April 1, 2009 and its adoption did not have a material effect on its results of operations or financial position.

In December 2007, the FASB revised authoritative guidance for business combinations which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users

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of the financial statements to evaluate the nature and financial effects of the business combination. This guidance will apply prospectively for the Company to business combinations for which the acquisition date is on or after April 1, 2009. The Company accounted for the business combination completed during the three months ended September 30, 2009 under this guidance.

In December 2007, the FASB issued authoritative guidance which established accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company adopted this guidance on April 1, 2009, and its adoption did not have a material impact on the Company's financial position or results of operations.

NOTE 2—NET INCOME PER COMMON SHARE

The Company uses the treasury stock method to calculate the weighted average shares used in computing diluted earnings per share. The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands, except per share amounts)			
Net income	$ 2,446	$ 3,570	$ 4,567	$ 6,598
Denominators:				
Weighted average shares—Basic	26,977	28,088	26,925	28,046
Dilutive effect of employee stock options	615	756	533	776
Weighted average shares—Dilutive	27,592	28,844	27,458	28,822
Net income per common share—Basic	$ 0.09	$ 0.13	$ 0.17	$ 0.24
Net income per common share—Diluted	$ 0.09	$ 0.12	$ 0.17	$ 0.23

The following outstanding common stock options determined on a weighted average basis were excluded from the computation of diluted net income per share as they had an anti-dilutive effect:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands)			
Stock options	3,553	2,692	3,365	2,608

NOTE 3—BALANCE SHEET DETAIL

	September 30, 2009	March 31, 2009
	(In thousands)	
Inventories:		
Work-in-progress	$ 8,153	$ 3,112
Finished goods	6,637	6,882
Inventory at distributors	1,027	1,001
	$ 15,817	$ 10,995

	September 30, 2009	March 31, 2009
	(In thousands)	
Accounts receivable, net:		
Accounts receivable	$ 7,844	$ 5,745
Less: Allowances for sales returns, doubtful accounts and other	(100)	(123)
	$ 7,744	$ 5,622

	September 30, 2009	March 31, 2009
	(In thousands)	
Prepaid expenses and other current assets:		
Prepaid tooling and masks	$ 1,340	$ 1,107
Other receivables	749	796
Other prepaid expenses	876	539
	$ 2,965	$ 2,442

	September 30, 2009	March 31, 2009
	(In thousands)	
Property and equipment, net:		
Computer and other equipment	$ 12,048	$ 9,383
Software	4,129	3,536
Furniture and fixtures	235	235
Leasehold improvements	745	729
	17,157	13,883
Less: Accumulated depreciation and amortization	(9,277)	(8,757)
	$ 7,880	$ 5,126

Depreciation and amortization expense was $437,000 and $346,000, respectively, for the three months ended September 30, 2009 and 2008 and $789,000 and $644,000, respectively, for the six months ended September 30, 2009 and 2008.

	September 30, 2009	March 31, 2009
	(In thousands)	
Other assets:		
Non-current deferred income taxes	$ 173	$ 630
Intangibles, net	1,375	—
Deposits	222	118
	$ 1,770	$ 748

	September 30, 2009	March 31, 2009
	(In thousands)	
Accrued expenses and other liabilities:		
Accrued compensation	$ 882	$ 784
Accrued acquisition payments	1,716	—
Accrued professional fees	108	149
Accrued commissions	335	340
Accrued royalties	41	17
Accrued income taxes	573	131
Accrued equipment and software costs	77	135
Other accrued expenses	508	417
	$ 4,240	$ 1,973

NOTE 4—INCOME TAXES

The current portion of the Company's unrecognized tax benefits at September 30 and March 31, 2009 was $480,000 and $471,000, respectively. The long-term portion at September 30, 2009 and March 31, 2009 was $418,000 and $351,000, respectively, of which the timing of the resolution is uncertain. As of September 30, 2009, $365,000 of unrecognized tax benefits had been recorded as a reduction to net deferred tax assets. The unrecognized tax benefit balance as of September 30, 2009 of $1,168,000 would affect the Company's effective tax rate if recognized. It is possible, however, that some months or years may elapse before an uncertain position for which the Company has established a reserve is resolved.

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Management believes that there are no events that are expected to occur during the next twelve months that would cause a material change in unrecognized tax benefits.

The Company's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes in the Condensed Consolidated Statements of Operations.

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. Fiscal years 2004 through 2009 remain open to examination by the federal and most state tax authorities.

The Company's estimated annual effective income tax rate was approximately 23.1% and 24.8% as of September 30, 2009 and 2008, respectively. The differences between the effective income tax rate and the applicable statutory U.S. income tax rate in each period were primarily due to the effects of tax credits, foreign tax rate differentials and tax free interest income, offset by stock-based compensation expense.

NOTE 5—FINANCIAL INSTRUMENTS

Fair value measurements

Effective April 1, 2008, the first day of the Company's 2009 fiscal year, the Company adopted authoritative guidance issued in December 2007 for fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance applies to all financial assets and financial liabilities that are being measured on a recurring basis, established a framework for measuring fair value and expanded related disclosures. The guidance requires fair value measurement to be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets and liabilities. The fair value of available-for-sale securities included in the Level 1 category is based on quoted prices that are readily and regularly available in an active market. As of September 30, 2009, the Level 1 category included money market funds of $9.6 million, which were included in cash and cash equivalents in the Condensed Consolidated Balance Sheet.

Level 2: Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of available-for-sale securities included in the Level 2 category is based on the market values obtained from an independent pricing service that were evaluated using pricing models that vary by asset class and may incorporate available trade, bid and other market information and price quotes from well established independent pricing vendors and broker-dealers. As of September 30, 2009, the Level 2 category included short-term investments of $18.9 million and long term-investments of $29.0 million, which were comprised of certificates of deposit, corporate debt securities and government and agency securities.

Level 3: Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing. As of September 30, 2009, the Company had no Level 3 financial assets measured at fair value in the Condensed Consolidated Balance Sheets.

Effective April 1, 2009, the Company adopted the newly issued authoritative guidance for fair value measurements of all nonfinancial assets and nonfinancial liabilities not recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption did not have a material impact on the Company's financial position or results of operations.

Short-term and long-term investments

All of the Company's short-term and long-term investments are classified as available-for-sale. Available-for-sale debt securities with maturities greater than twelve months are classified as long-term investments when they are not intended for use in current operations. Investments in available-for-sale securities are reported at fair value with unrecognized gains (losses), net of tax, as a component of accumulated other comprehensive income in the Condensed Consolidated Balance Sheets. The Company had money market funds of $9.6 million and $4.6 million at September 30, 2009 and March 31, 2009, respectively, included in cash and cash equivalents in the Condensed Consolidated Balance Sheet. The Company monitors its investments for impairment periodically and records appropriate reductions in carrying values when the declines are determined to be other-than-temporary.

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The following table summarizes the Company's available-for-sale investments:

	September 30, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Short-term investments				
State and municipal obligations	$ 15,182	$ 40	$ —	$ 15,222
Corporate notes	2,229	5	—	2,234
Certificates of deposit	1,470	—	(3)	1,467

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Total short-term investments	$ 18,881	$ 45	$ (3)	$ 18,923
Long-term investments				
State and municipal obligations	$ 11,559	$ 109	$ —	$ 11,668
Corporate notes	15,174	154	—	15,328
Certificates of deposit	1,960	—	(2)	1,958
Total long-term investments	$ 28,693	$ 263	$ (2)	$ 28,954

	March 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Short-term investments				
State and municipal obligations	$ 25,545	$ 178	$ —	$ 25,723
Corporate notes	9,021	—	(4)	9,017
Total short-term investments	$ 34,566	$ 178	$ (4)	$ 34,740
Long-term investments				
State and municipal obligations	$ 5,802	$ 55	$ —	$ 5,857
Corporate notes	13,573	—	(2)	13,571
Total long-term investments	$ 19,375	$ 55	$ (2)	$ 19,428

The Company's investment portfolio consists of both corporate and governmental securities that have a maximum maturity of three years. All unrealized losses are due to changes in interest rates and bond yields. The Company has the ability to realize the full value of all these investments upon maturity.

As of September 30, 2009, the deferred tax liability related to unrecognized gains and losses on short-term and long-term investments was $57,000. At March 31, 2009, the deferred tax asset related to unrecognized gains and losses on short-term and long-term investments was $3,000.

As of September 30, 2009, contractual maturities of the Company's available-for-sale non-equity investments were as follows:

	Cost	Fair Value
	(In thousands)	
Maturing within one year	$ 18,881	$ 18,923
Maturing in one to three years	28,693	28,954
	$ 47,574	$ 47,877

The Company classifies its short-term investments as "available for sale" as they are intended to be available for use in current operations.

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NOTE 6—COMMITMENTS AND CONTINGENCIES

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 warrants its products to be free of defects generally for a period of three years. The Company estimates its warranty costs based on historical warranty claim experience and includes such costs in cost of revenues. Warranty costs were not significant for the three months and six months ended September 30, 2009 and 2008.

Legal proceedings

From time to time, the Company may be involved in litigation relating to claims arising out of its day-to-day operations. As of September 30, 2009, there was no significant litigation pending against the Company.

NOTE 7—STOCK OPTION PLANS

As of September 30, 2009, 3,457,142 shares of common stock were available for grant under the Company's 2007 Equity Incentive Plan.

The following table summarizes the Company's stock option activities for the six months ended September 30, 2009:

	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Intrinsic Value
Options outstanding as of March 31, 2009	4,980,737		$ 3.78	
Granted	907,068		$ 3.89	
Exercised	(296,456)		$ 1.01	$ 639,671
Forfeited	(88,494)		$ 4.34	
Options outstanding as of September 30, 2009	5,502,855	6.17	$ 3.94	$ 3,122,291
Options exercisable as of September 30, 2009	3,117,498	4.10	$ 3.97	$ 2,261,344
Options vested and expected to vest	5,370,435	6.10	$ 3.94	$ 3,069,864

The weighted average fair value of options granted during the three months ended September 30, 2009 and 2008 was $1.78 and $1.63, respectively, and for the six months ended September 30, 2009 and 2008 was $1.73 and $1.72, respectively.

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Options outstanding by exercise price at September 30, 2009 were 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
$2.00	442,325	$ 2.00	0.53	442,325	$ 2.00
$2.10	626,141	$ 2.10	3.79	626,141	$ 2.10
$2.43 – 3.37	799,000	$ 2.93	9.00	131,750	$ 3.15
$3.38 – 3.81	564,322	$ 3.61	6.96	260,130	$ 3.66
$4.00	960,028	$ 4.00	8.92	119,100	$ 4.00
$4.20 – 4.50	333,885	$ 4.31	7.47	113,239	$ 4.43
$5.40	620,754	$ 5.40	1.65	620,754	$ 5.40
$5.50	951,200	$ 5.50	7.13	653,659	$ 5.50
$5.75 – 6.00	171,200	$ 5.78	6.65	133,400	$ 5.79
$6.70	34,000	$ 6.70	7.28	17,000	$ 6.70
	5,502,855			3,117,498	

Stock-based compensation

The following table summarizes stock-based compensation expense by line item in the Condensed Consolidated Statements of Operations, all relating to employee stock plans:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands)			
Cost of revenues	$ 76	$ 72	$ 143	$ 145
Research and development	179	96	292	201
Selling, general and administrative	128	141	239	292
Total	$ 383	$ 309	$ 674	$ 638

As stock-based compensation expense recognized in the Condensed Consolidated Statement of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures in accordance with authoritative guidance. The Company estimates forfeitures at the time of grant and revises the original estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company recognized related income tax benefits of $51,000 and $40,000, respectively, for the three months ended September 30, 2009 and 2008 and $82,000 and $76,000, respectively, for the six months ended September 30, 2009 and 2008. Windfall tax benefits realized from exercised stock options were $72,000 and $49,000, respectively, for the three months ended September 30, 2009 and 2008 and $180,000 and 276,000 for the six months ended September 30, 2009 and 2008, respectively. Compensation cost capitalized within inventory at September 30, 2009 was insignificant. As of September 30, 2009, the Company's total unrecognized compensation cost was $3.0 million, which will be recognized over the weighted average period of 1.83 years. The Company calculated the fair value of stock-based awards in the periods presented using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Stock Option Plans:				
Risk-free interest rate	2.47%	3.11%	2.23 – 2.47%	3.11 – 3.16%
Expected life (in years)	5.00	5.00	5.00	5.00
Volatility	48.1%	45.2%	48.1 – 48.6%	43.5 – 45.2%
Dividend yield	0%	0%	0%	0%

Employee Stock Purchase Plan:				
Risk-free interest rate	—	—	0.29%	1.89%
Expected life (in years)	—	—	0.50	0.50
Volatility	—	—	52.3%	58.0%
Dividend yield	—	—	0%	0%

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NOTE 8—SEGMENT AND GEOGRAPHIC INFORMATION

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 revenues by geographic area based on the location to which product is shipped:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Six Months Ended September 30, 2009	Six Months Ended September 30, 2008
	(In thousands)			
United States	$ 5,732	$ 6,919	$ 10,970	$ 13,686
China	3,111	3,362	6,162	6,175
Malaysia	3,458	2,901	5,766	6,789
Singapore	1,325	2,136	4,017	4,229
Rest of the world	1,050	1,776	1,970	3,559
	$ 14,676	$ 17,094	$ 28,885	$ 34,438

All sales are denominated in United States dollars.

NOTE 9—ACQUISITION

On August 28, 2009, the Company acquired substantially all of the assets related to the SRAM memory device product line of Sony Corporation and its subsidiaries, including Sony Electronics Inc. (collectively, “Sony”). As part of the transaction, the Company also entered into an Intellectual Property Agreement with Sony under which it acquired certain patents and license rights to other intellectual property used in connection with the acquired product line.

The acquisition was undertaken by the Company in order to increase its market share in the SRAM memory business, expand its relationships with its major customers and expand its product portfolio. The acquisition resulted in a bargain purchase as Sony had been incurring significant losses on an annual basis, had a minimal product offering, had only one customer and declining annual revenues at the time of the acquisition and was therefore motivated to sell the assets of its SRAM product line.

The acquisition has been accounted for as a purchase under authoritative guidance for business combinations. The purchase price of the acquisition has been preliminarily allocated to the net tangible and intangible assets acquired, with the excess of the fair value of assets acquired over the purchase price recorded as a bargain purchase gain.

The results of operations and estimated fair value of assets acquired and liabilities assumed were included in our condensed consolidated financial statements beginning August 29, 2009.

Consideration

The total purchase consideration is expected to be approximately $6.9 million in cash, of which approximately $5.2 million was paid at the closing and $1.2 million, included as part of accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet at September 30, 2009, was paid in October 2009 following a post-closing adjustment to reflect actual product inventory on hand at the closing. The consideration also includes contingent consideration of $0.5 million, which represents the fair value of future cash payments expected to be made by the Company based on the sale of certain acquired SRAM products over an eight quarter period commencing with the September 2009 quarter, the quarter in which the Company first derived revenue from shipments of such products. The Company estimated the contingent purchase consideration based on probability weighted expected future cash flows, which is included under accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet at September 30, 2009. These cash flows were discounted at a rate of approximately 20%.

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Acquisition-related costs

Acquisition-related costs of approximately $211,000 are included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations for the three months and six months ended September 30, 2009.

Purchase price allocation

The allocation of the purchase price to acquired tangible and identifiable intangible assets was based on their estimated fair values at the date of acquisition.

The fair value allocated to each of the major classes of tangible and identifiable intangible assets of Sony's SRAM memory device product line acquired on August 28, 2009 and the bargain purchase gain recorded under other income (expense), net in the Condensed Consolidated Statements of Operations was computed as follows (in thousands):

Inventory	$	3,702
Tooling and masks		604
Property and equipment		2,800
Intangible assets		1,390
Deferred tax liability resulting from acquisition		(483)
Net tangible and intangible assets		8,013
Purchase price		6,894
Gain on bargain purchase	$	1,119

The deferred tax liability associated with the estimated fair value adjustments of tangible and intangible assets acquired is recorded at an estimated weighted average statutory tax rate in the jurisdictions where the fair value adjustments may occur.

Identifiable intangible assets

The following table sets forth the components of the identifiable intangible assets acquired in the purchase of Sony's SRAM memory device product line, which are being amortized over their estimated useful lives, with a maximum amortization period of nine years, on a straight-line basis:

		Fair Value (in thousands)	Useful Life (in years)
Patents	$	720	9.0
Designs		590	7.0
Software		80	5.0
Total acquired identifiable intangible assets	$	1,390	

Using authoritative guidance for fair value measurements, the Company allocated the purchase price using established valuation techniques.

Inventories — The value allocated to inventories reflects the estimated fair value of the acquired inventory based on the expected sales price of the inventory less costs to complete and reasonable selling margin.

Property, plant and equipment — The basis used for the Company's analysis was the fair value in continued use, which is considered to be the price expressed in terms of money which a willing and informed buyer would pay, contemplating continued use as part of a going concern of the assets in place for the purpose for which they were designed, engineered, installed, fabricated and erected.

Intangible assets — The fair value of patents and designs were determined using income approach, which discounted expected future cash flows to present value. The cash flows were discounted at a rate of approximately 20%. The fair value of software was determined using cost saving approach.

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Prior to the closing of the acquisition, there were no material relationships between GSI and Sony or any related parties or affiliates of Sony.

The following table summarizes total net revenues and net loss of the combined entity had the acquisition of Sony's SRAM memory device product line occurred on April 1, 2009 and 2008, respectively (in thousands):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2009		2008		2009		2008	
Total net revenues	$	15,713	$	19,524	$	30,656	$	38,391
Net loss	$	(413)	$	(877)	$	(2,255)	$	(404)

The combined results in the table above have been prepared for comparative purposes only and include acquisition related adjustments for, among other items, amortization of identifiable intangible assets, conforming depreciation policies of Sony to GSI's, to reflect the bargain purchase gain and related tax impact and to reflect the step up in basis of acquired work-in-progress and finished goods inventories. Since the acquisition date, the results of Sony's SRAM memory device operations have been included in the Company's consolidated financial statements. The combined results do not purport to be indicative of the results of operations which would have resulted had the acquisition been effected at the beginning of the applicable periods noted above, or the future results of operations of the combined entity.

NOTE 10—SUBSEQUENT EVENT

On September 22, 2009, the Company entered into an Agreement of Purchase and Sale (the "Agreement") with James S. Lindsey and Sally K. Lindsey, trustees of the Lindsey Family Trust dated May 25, 2004 and Khalil Jenab and Tiffany Renee Jenab, trustees of the Jenab Family 1997 Trust dated December 11, 1997 (together, the "Sellers"). Pursuant to the Agreement, GSI purchased real property located at 1213 Elko Drive, Sunnyvale, California and a 44,277 square foot office building located on that site for an aggregate purchase price of $4,634,085. Escrow closed on November 5, 2009 by which time the Company paid the total purchase price.

Prior to the execution of the Agreement, there were no material relationships between GSI and the Sellers or any related parties or affiliates of the Sellers.

The Company has evaluated material subsequent events through November 16, 2009, the date these condensed consolidated financial statements were issued.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Quarterly Report on Form 10-Q, and in particular the following Management's Discussion and Analysis of Financial Condition and Results of Operations, includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). These forward-looking statements involve risks and uncertainties. Forward-looking statements are identified by words such as "anticipates," "believes," "expects," "intends," "may," "will," and other similar expressions. In addition, any statements which refer to expectations, projections, or other characterizations of future events, or circumstances, are forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those set forth in this report under "Risk Factors," those described elsewhere in this report, and those described in our other reports filed with the Securities and Exchange Commission ("SEC"). We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and we undertake no obligation to update these forward-looking statements after the filing of this report. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.

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Overview

We are a fabless semiconductor company that designs, develops and markets Very Fast static random access memories, or SRAMs, primarily for the networking and telecommunications markets. 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 semiconductor devices are used. Beginning in fiscal 2001, the networking and telecommunications markets experienced an extended period of severe contraction, during which our operating results sharply declined. Between fiscal 2004 and fiscal 2006, demand for networking and telecommunications equipment recovered. During the first three quarters of fiscal 2007, demand for such equipment accelerated and, as a result, our operating results improved. In the fourth quarter of fiscal 2007 and the first quarter of fiscal 2008, revenues again declined due, in part, to the implementation of a "lean manufacturing" program by our largest customer, Cisco Systems. Our revenues have been substantially impacted by the fluctuations in sales to Cisco Systems, and we expect that future direct and indirect sales to Cisco Systems will continue to fluctuate significantly on a quarterly basis. The worldwide credit crisis and the resulting economic impact on the end markets we serve adversely impacted our financial results during the four quarters ended September 30, 2009, and we expect that these factors may significantly affect our operating results in future periods. However, with no debt, substantial liquidity and anticipated positive cash flows from operations, we believe we are in a better position than many other companies of our size.

Revenues. Our revenues are derived primarily from sales of our Very Fast SRAM products. Sales to networking and telecommunications original equipment manufacturers, or OEMs, accounted for 65% to 80% of our net revenues during our last three fiscal years. We also sell our products to OEMs that manufacture products for defense applications such as radar and guidance systems, for professional audio applications such as sound mixing systems, for test and measurement applications such as high-speed testers, for automotive applications such as smart cruise control and voice recognition systems, and for medical applications such as ultrasound and CAT scan equipment.

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. Although we expect the average selling prices of individual products to decline over time, we believe that, over the next several quarters, our overall average selling prices will increase due to a continuing shift in product mix to a higher percentage of higher price, higher density 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 from Taiwan Semiconductor Manufacturing Company, or TSMC, our independent wafer foundry, and our ability to increase the number of good integrated circuit die produced from each wafer through die size reductions and yield enhancement activities.

We may experience fluctuations in quarterly net 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 customers may delay scheduled delivery dates and/or cancel orders within specified time frames without significant penalty.

We sell our products through our direct sales force, international and domestic sales representatives and distributors. Revenues from product sales, except for sales to distributors, are generally recognized upon shipment, net of sales returns and allowances. Sales to consignment warehouses, who purchase products from us for use by contract manufacturers, are recorded upon delivery to the contract manufacturer. Sales to distributors are recorded as deferred revenues for financial reporting purposes and recognized as revenues when the products are resold by the distributors to the OEM. Sales to distributors are made under agreements allowing for returns or credits under certain circumstances. We therefore defer recognition of revenue on sales to distributors until products are resold by the distributor.

Cisco Systems, our largest OEM customer, purchases our products primarily through its consignment warehouse, SMART Modular Technologies, and also purchases some products through its contract manufacturers and directly from us. Historically, purchases by Cisco Systems have fluctuated from period to period. Based on information provided to us by Cisco Systems' consignment warehouse and contract manufacturers, purchases by Cisco Systems represented approximately 26%, 28% and 30% of our net revenues in fiscal 2009, 2008 and 2007, respectively. During the quarter ended March 31, 2007, Cisco Systems announced the implementation of a "lean manufacturing" program under which it reduced the levels of inventory carried by it and by its contract manufacturers. The transition to this new program resulted in reductions in purchases of our products by Cisco Systems' contract manufacturers during the following two quarters as they drew down existing inventories. Purchases by Cisco Systems' consignment warehouses and contract manufacturers increased in the

following four quarters ended June 30, 2008, declined again in the three quarters ended March 31, 2009 and improved in the two quarters ended September 30, 2009. We expect that future direct and indirect sales to Cisco Systems will continue to fluctuate significantly on a quarterly basis and that such fluctuations may significantly affect our operating results in future periods. To our knowledge, none of our other OEM customers accounted for more than 10% of our net revenues during any of these periods.

Cost of Revenues. Our cost of revenues consists primarily of wafer fabrication costs, wafer sort, assembly, test and burn-in expenses, the amortized cost of production mask sets, stock-based compensation and the cost of materials and overhead from operations. All of our wafer manufacturing and assembly operations, and a significant portion of our product testing operations, are outsourced. Accordingly, most of our cost of revenues consists of payments to TSMC, our independent wafer foundry, and to our independent assembly and test houses. Cost of revenues also includes expenses related to supply chain management, quality assurance, and final product testing and documentation control activities conducted at our headquarters in Santa Clara, California and our branch operations in Taiwan.

Gross Profit. Our gross profit margins vary among our products and are generally greater on our higher density products and, within a particular density, greater 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.

Research and Development Expenses. Research and development expenses consist primarily of salaries and related expenses for design engineers and other technical personnel, the cost of developing prototypes, stock-based compensation and fees paid to consultants. We charge all research and development expenses to operations as incurred. We charge mask costs used in production to costs of revenues over a 12-month period. However, we charge costs related to pre-production mask sets, which are not used in production, to research and development expenses at the time they are incurred. These charges often arise as we transition to new process technologies and, accordingly, can cause research and development expenses to fluctuate on a quarterly basis. 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 Expenses. Selling, general and administrative expenses consist primarily of commissions paid to independent sales representatives, salaries, stock-based compensation 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 absolute dollars in future periods as we continue to grow and expand our sales force but that, to the extent our revenues increase in future periods, these expenses will generally decline as a percentage of net revenues. 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 in absolute dollars for the foreseeable future but will fluctuate as a percentage of net revenues.

Acquisition

On August 28, 2009, we acquired substantially all of the assets related to the SRAM memory device product line of Sony Corporation and its subsidiaries (collectively, “Sony”). As part of the transaction, the Company also entered into an Intellectual Property Agreement with Sony under which it acquired certain patents and license rights to other intellectual property used in connection with the acquired product line.

The acquisition was undertaken in order to increase our market share in the SRAM memory business, expand our relationships with our major customers and expand our product portfolio. The acquisition resulted in a bargain purchase as Sony had been incurring significant losses on an annual basis, had a minimal product offering, had only one customer and declining annual revenues at the time of the acquisition and was therefore motivated to sell the assets of its SRAM product line.

We adopted authoritative guidance for business combinations as a result of this acquisition. The acquisition has been accounted for as a purchase under authoritative guidance for business combinations. Acquisition related costs of approximately $211,000 incurred in connection with this acquisition have been expensed in accordance with the authoritative guidance and are included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations for the three months and six months ended September 30, 2009. Contingent consideration has been recognized at the date of the acquisition and recorded at its fair value. Changes to the fair value of the contingent consideration will be recorded in our earnings.

The purchase price of the acquisition has been preliminarily allocated to the net tangible and intangible assets acquired, with the excess of the fair value of assets acquired over the purchase price recorded as a bargain purchase gain.

The results of operations and estimated fair value of assets acquired and liabilities assumed were included in our condensed consolidated financial statements beginning August 29, 2009.

The total purchase consideration is expected to be approximately $6.9 million in cash, of which approximately $5.2 million was paid at the closing and $1.2 million, included as part of accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet at September 30, 2009, was paid in October 2009 following a post-closing adjustment to reflect actual product inventory on hand at the closing. The consideration also includes contingent consideration of $0.5 million, which represents the fair value of future cash payments expected to be made by the Company based on the sale of certain acquired SRAM products over an eight quarter period commencing with the September 2009 quarter, the quarter in which the Company first derived revenue from shipments of such products. The Company estimated the contingent purchase consideration based on probability weighted expected future cash flows, which is included under accrued expenses and other liabilities in the Condensed Consolidated Balance Sheet at September 30, 2009.

The allocation of the purchase price to acquired tangible and identifiable intangible assets was based on their estimated fair values at the date of acquisition.

Prior to the closing of the acquisition, there were no material relationships between us and Sony or any related parties or affiliates of Sony.

Results of Operations

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2009	2008	2009	2008
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	55.6	54.3	56.5	55.0
Gross profit	44.4	45.7	43.5	45.0
Operating expenses:				
Research and development	18.6	7.9	15.0	7.5
Selling, general and administrative	15.5	13.8	15.0	14.0
Total operating expenses	34.1	21.7	30.0	21.5
Income from operations	10.3	24.0	13.5	23.5
Interest and other income (expense), net	9.1	2.1	5.7	2.0
Income before income taxes	19.4	26.1	19.2	25.5
Provision for income taxes	2.7	5.2	3.4	6.3
Net income	16.7%	20.9%	15.8%	19.2%

Net Revenues. Net revenues decreased by 14.1% from $17.1 million in the three months ended September 30, 2008 to $14.7 million in the three months ended September 30, 2009. Net revenues decreased by 16.1% from $34.4 million in the six months ended September 30, 2008 to $28.9 million in the six months ended September 30, 2009. Direct and indirect sales to Cisco Systems, our largest customer, increased by $0.6 million from $4.2 million in the three months ended September 30, 2008 to $4.8 million in the three months ended September 30, 2009 and decreased by $1.9 million from $9.9 million in the six months ended September 30, 2008 to $8.0 million in the six months ended September 30, 2009. Purchases by Cisco Systems' consignment warehouses and contract manufacturers and our other OEM customers were adversely impacted by the worldwide credit crisis and the resulting economic impact on the end markets they serve. These declines in net revenues were partially offset by the continued acceptance of our SigmaQuad product line which resulted in a 56.9% increase in SigmaQuad shipments in the six months ended September 30, 2009 compared to the six months ended September 30, 2008, accounting for 15.9% of total shipments in the six months ended September 30, 2009.

Cost of Revenues. Cost of revenues decreased by 12.0% from $9.3 million in the three months ended September 30, 2008 to $8.2 million in the three months ended September 30, 2009 and by 13.7% from $18.9 million in the six months ended September 30, 2008 to $16.3 million in the six months ended September 30, 2009. These decreases were due to the

corresponding decreases in net revenues. Cost of revenues included stock-based compensation expense of $76,000 and $72,000, respectively, for the three months ended September 30, 2009 and 2008 and $143,000 and $145,000, respectively, for the six months ended September 30, 2009 and 2008.

Gross Profit. Gross profit decreased by 16.7% from $7.8 million in the three months ended September 30, 2008 to $6.5 million in the three months ended September 30, 2009 and by 19.1% from $15.5 million in the six months ended September 30, 2008 to $12.6 million in the six months ended September 30, 2009. Gross margin decreased from 45.7% in the three months ended September 30, 2008 to 44.4% in the three months ended September 30, 2009 and from 45.0% in the six months ended September 30, 2008 to 43.5% in the six months ended September 30, 2009. The decreases in gross profit were primarily related to the decreased net revenues. The decreases in gross margin were primarily due to changes in customer mix which included sales to certain customers in Asia at lower average selling prices due to the current economic conditions and increased competitive pressures.

Research and Development Expenses. Research and development expenses increased 102.3% from $1.3 million in the three months ended September 30, 2008 to $2.7 million in the three months September 30, 2009. This increase was primarily due to increases in prototype mask expenses of $650,000 and payroll related expenses of $605,000 and lesser increases in facility related expenses and stock-based compensation expense, partially offset by a decrease in outside consulting expenses. Research and development expenses included stock-based compensation expense of $179,000 and $96,000 for the three months ended September 30, 2009 and 2008, respectively. Research and development expenses increased 66.2% from $2.6 million in the six months ended September 30, 2008 to $4.3 million in the six months ended September 30, 2009. This increase was primarily due to increases in payroll related expenses of $877,000 and prototype mask expenses of $650,000 and lesser increases in facility related expenses and stock-based compensation expense, partially offset by a decrease in outside consulting expenses. Research and development expenses included stock-based compensation expense of $292,000 and $201,000 for the six months ended September 30, 2009 and 2008, respectively. The increases in payroll expenses were related to our low latency DRAM project and various high speed SRAM projects.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased 4.1% from $2.4 million in the three months ended September 30, 2008 to $2.3 million in the three months ended September 30, 2009. This decrease was primarily due to decreases in independent sales representative commissions, travel expenses and outside accounting fees which were partially offset by an increase in legal fees. Selling, general and administrative expenses included stock-based compensation expense of $128,000 and $141,000 for the three months ended September 30, 2009 and 2008, respectively. Selling, general and administrative expenses decreased 10.2% from $4.8 million in the six months ended September 30, 2008 to $4.3 million in the six months ended September 30, 2009. This decrease was primarily related to decreases of $361,000 in commissions for our independent sales representatives, $153,000 in consulting fees related to implementation and maintenance of our new enterprise resource planning ("ERP") system and Sarbanes—Oxley Act compliance and lesser decreases in travel expenses, stock based-compensation expense and insurance expense, partially offset by and increase in legal expenses. Selling, general and administrative expenses included stock-based compensation expense of $239,000 and $292,000 for the six months ended September 30, 2009 and 2008, respectively. Selling, general and administrative expenses also included legal and accounting fees of $211,000 related to our acquisition of the SRAM memory device product line of Sony Corporation in the quarter ended September 30, 2009.

Interest and Other Income (Expense), Net. Interest and other income (expense), net increased 273.3%, from $359,000 in the three months ended September 30, 2008 to $1.3 million in the three months ended September 30, 2009 and increased 142.4% from $674,000 in the six months ended September 30, 2008 to $1.6 million in the six months ended September 30, 2009. These increases were primarily the result of a $1.1 million bargain purchase gain resulting from our acquisition of the SRAM memory device product line of Sony Corporation in the quarter ended September 30, 2009, partially offset

by decreases in interest income due to lower interest rates received on our cash, short-term and long-term investments. In addition, we experienced an exchange loss of $19,000 in the three months ended September 30, 2008 compared to an exchange loss of $12,000 in the three months ended September 30, 2009 and an exchange loss of $76,000 in the six months ended September 30, 2008 compared to an exchange loss of $13,000 for the six months ended September 30, 2008, all related to our Taiwan branch operations.

Provision for Income Taxes. The provision for income taxes decreased from $0.9 million in the three months ended September 30, 2008 to $0.4 million in the three months ended September 30, 2009 and from $2.2 million in the six months ended September 30, 2008 to $1.0 million in the six months ended September 30, 2009. These decreases were due to the decreased pre-tax income in the three and six month periods and from the decreased effective tax rate resulting from increased net revenues in lower tax rate jurisdictions in each period.

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Net Income. Net income decreased 31.5% from $3.6 million in the three months ended September 30, 2008 to $2.4 million in the three months ended September 30, 2009 and decreased 30.8% from $6.6 million in the six months ended September 30, 2008 to $4.6 million in the six months ended September 30, 2009. These decreases were primarily due to the decreased net revenues and gross margin and the changes in operating expenses and gross profit discussed above.

Liquidity and Capital Resources

As of September 30, 2009, our principal sources of liquidity were cash, cash equivalents and short term investments of $37.2 million compared to $47.3 million as of March 31, 2009.

Net cash provided by operating activities was $5.4 million for the six months ended September 30, 2009 compared to $5.1 million for the six months ended September 30, 2008. The primary source of cash in the current six month period was net income of $4.6 million and an increase in accounts payable of $2.1 million which was offset by an increase in accounts receivable of $2.1 million, a bargain purchase gain on our acquisition of the SRAM memory device product line of Sony Corporation and an increase in inventory of $1.3 million. Inventory and accounts payable both increased as a result of actions taken to increase inventory levels to enable us to better respond to customer requirements.

Net cash used in investing activities was $224,000 in the six month period ended September 30, 2009. Investment activities consisted primarily of the purchase of state and municipal obligations and corporate notes, our acquisition of the SRAM memory device product line of Sony Corporation and purchases of property and equipment. These uses were offset by sales and maturities of investments of $22.3 million. Net cash used in investing activities was $13.9 million in the six month period ended September 30, 2008. Investment activities consisted primarily of the purchase of state and municipal obligations and corporate notes in the amount $30.8 million and the purchase of test equipment and software in the amount of $555,000. These uses were offset by sales and maturities of investments of $17.5.

Net cash provided by financing activities in the six months ended September 30, 2009 and September 30, 2008 primarily consisted of the net proceeds from the sale of common stock pursuant to our employee stock plans.

We believe that our existing balances of cash, cash equivalents and short-term investments, 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

The following table describes our contractual obligations as of September 30, 2009:

	Payments due by period				
	Up to 1 year	1-3 years	3-5 years	More than 5 years	Total
Facilities and equipment leases	$ 443,000	$ —	$ —	$ —	$ 443,000
Wafer and mask purchase obligations	5,652,000	—	—	—	5,652,000
	$ 6,095,000	$ —	$ —	$ —	$ 6,095,000

As of September 30, 2009, the current portion of our unrecognized tax benefits was $480,000, and the long-term portion was $418,000. The unrecognized tax benefits balance as of September 30, 2009 of $1,168,000 would affect our effective tax rate if recognized. As of September 30, 2009, $365,000 of unrecognized tax benefits have been recorded as a reduction to net deferred tax assets.

The Company has on obligation to pay contingent consideration estimated at $0.5 million, which represents the fair value of future cash payments expected to be made by the Company based on the sale of certain acquired SRAM products acquired from Sony over an eight quarter period commencing with the September 2009 quarter, the quarter in which the Company first derived revenue from shipments of such products.

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Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2009.

Off-Balance Sheet Arrangements

At September 30, 2009, we did not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, we are not exposed to the type of financing, liquidity, market or credit risk that could arise if we had engaged in such relationships**.**

Recent Accounting Pronouncements

In August 2009, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance for measuring liabilities at fair value that reaffirms the existing definition of fair value and reintroduces the concept of entry value into the determination of fair value of liabilities. Entry value is the amount an entity would receive to enter into an identical liability. The guidance is effective for our interim reporting period ending on December 31, 2009. We are currently evaluating the impact of the guidance on our financial position, results of operations and cash flows.

In June 2009, the FASB established authorized guidance relating to accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The implementation of this guidance in the quarter ended September 30, 2009 did not have any impact on our consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued authoritative guidance related to subsequent events. This new guidance does not materially change the existing guidance, but introduces the concept of financial statements being *available to be issued.* It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. We adopted this guidance starting the first quarter of fiscal 2010.

In April 2009, the FASB issued authoritative guidance for business combinations that amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance will require such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with authoritative guidance for contingencies. The guidance became effective for our business combinations for which the acquisition date is on or after April 1, 2009. We did not acquire any contingencies as part of business combination completed during the six months ended September 30, 2009, and the effect of this guidance on future periods will depend on the nature and significance of any business combinations we may make that are subject to this guidance.

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In April 2009, the FASB issued authoritative guidance which amended previous guidance for determining whether impairment is other-than-temporary for debt securities. This guidance requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, this guidance expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. We adopted this guidance on April 1, 2009, and its adoption did not have a material effect on our results of operations or financial position.

In April 2009, the FASB issued authoritative guidance that emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. This guidance provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The guidance also requires increased disclosures. We adopted this guidance on April 1, 2009, and its adoption did not have a material effect on our results of operations or financial position.

In April 2009, the FASB issued authoritative guidance that requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. We adopted this guidance on April 1, 2009 and its adoption did not have a material effect on our results of operations or financial position.

In December 2007, the FASB issued authoritative guidance for business combinations which establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This guidance will apply prospectively for us to business combinations for which the acquisition date is on or after April 1, 2009. We accounted for the business combination completed during the three months ended September 30, 2009 under this guidance.

In December 2007, the FASB issued authoritative guidance which establishes accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. We adopted this guidance on April 1, 2009 and its adoption did not have a material effect on our results of operations or financial position.

Item 3. ***Quantitative and Qualitative Disclosure About Market Risk***

Foreign Currency Exchange Risk. Our revenues and 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 cash, cash equivalents, short term investments and long-term investments totaling $66.2 million at September 30, 2009. These amounts were invested primarily in money market funds, state and municipal obligations, corporate notes and certificates of deposit. The 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. We believe a hypothetical 100 basis point increase in interest rates would not materially affect the fair value of our interest-sensitive financial instruments. Declines in interest rates, however, will reduce future investment income.

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Item 4T. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures. Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of September 30, 2009, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report for the purpose of ensuring that the information required to be disclosed by us in this report is made known to them by others on a timely basis, and that the information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized, and reported by us within the time periods specified in the SEC's rules and instructions for Form 10-Q.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. ***Risk Factors***

Our future performance is subject to a variety of risks. If any of the following risks actually occur, our business, financial condition and results of operations could suffer and the trading price of our common stock could decline. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations. You should also refer to other information contained in this report, including our condensed consolidated financial statements and related notes. The risk factors described below do not contain any material changes from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2009.

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

Our quarterly and annual revenues, expenses and operating results have varied significantly and are likely to vary in the future. For example, in the ten fiscal quarters ended September 30, 2009, we recorded net revenues of as much as $17.3 million and as little as $11.3 million and quarterly operating income of as much as $4.1 million and as little as $1.1 million. We therefore believe that period-to-period 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. In future periods, we may not have any revenue growth, or our revenues could decline. Furthermore, if our operating expenses exceed our expectations, our financial performance could be adversely affected. Factors that may affect periodic operating results in the future include:

- our ability to attract new customers, retain existing customers and increase sales to such customers;
- unpredictability of the timing and size of customer orders, since most of our customers purchase our products on a purchase order basis rather than pursuant to a long term contract;
- changes in our customers' inventory management practices;
- fluctuations in availability and costs associated with materials needed to satisfy customer requirements;
- manufacturing defects, which could cause us to incur significant warranty, support and repair costs, lose potential sales, harm our relationships with customers and result in write-downs;
- changes in our product pricing policies, including those made in response to new product announcements and pricing changes of our competitors; and
- our ability to address technology issues as they arise, improve our products' functionality and expand our product offerings.

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.

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Cisco Systems, our largest OEM customer, accounts for a significant percentage of our net revenues. If Cisco Systems, or any of our other major customers reduce the amount they purchase or stop purchasing our products, our operating results will suffer.

Cisco Systems, our largest OEM customer, purchases our products through SMART Modular Technologies, its consignment warehouse, through its contract manufacturers and directly from us. Based on information provided to us by consignment warehouses and contract manufacturers, purchases by Cisco Systems represented approximately 28%, 26%, 28% and 30% of our net revenues in the six months ended September 30, 2009 and in fiscal 2009, 2008 and 2007, respectively. In the quarter ended March 31, 2007, Cisco Systems implemented a "lean manufacturing" program under which it reduced the levels of inventory carried by it and by its contract manufacturers. The transition to this new program resulted in reductions in purchases of our products by Cisco Systems' contract manufacturers during the following two quarters as they drew down their existing inventories, and such reductions resulted in our net revenues for these quarters being less than in the quarter ended December 31, 2006. Purchases by Cisco Systems' consignment warehouses and contract manufacturers increased in the four quarters ended June 30, 2008 compared to the two prior quarters and then declined again in the three quarters ended March 31, 2009, followed by an improvement in the two quarters ended September 30, 2009.

We expect that our operating results in any given period will continue to depend significantly on orders from our key OEM customers, particularly Cisco Systems, and our future success is dependent to a large degree on the business success of these OEMs over which we have no control. We do not have long-term contracts with Cisco Systems or any of our other major OEM customers, distributors or contract manufacturers that obligate them to purchase our products. Although Cisco Systems has completed the transition to its "lean manufacturing" program, we expect that future direct and indirect sales to Cisco Systems will continue to fluctuate significantly on a quarterly basis and that such fluctuations may significantly affect our operating results in future periods. If we fail to continue to sell to our key OEM customers, distributors or contract manufacturers in sufficient quantities, the growth of our business could be harmed.

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

We have incurred significant losses in prior periods. For example, in fiscal 2003 and 2004, we incurred losses of $7.4 million and $670,000, respectively. Although we have operated profitably during the last five fiscal years, there can be no assurance that our Very Fast SRAMs will continue to receive broad market acceptance or that we will be able to sustain revenue growth or profitability. Our failure to do so may result in additional losses 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.

We depend upon the sale of our Very Fast SRAMs for most of our revenues, and a downturn in demand for these products could significantly reduce our revenues and harm our business.

We derive most of our revenues from the sale of Very Fast SRAMs, and we expect that 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 were to experience another significant 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 routers, switches, wireless local area network infrastructure equipment, wireless base stations and network access equipment used in the highly cyclical networking and telecommunications markets. Our operating results declined sharply in fiscal 2002 and 2003 as a result of the severe contraction in demand for networking and telecommunications equipment in which our products are incorporated. Prior to this period of contraction, the networking and telecommunications markets experienced a period of rapid growth, which resulted in a significant 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.

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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.

Historically, the average unit selling prices of our products have declined substantially over the lives of the products, and we expect this trend to continue. A reduction in overall average selling prices of our products could result in reduced revenues and lower gross margins. 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 and greater margins. 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 independent foundry, TSMC, and our independent 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.

We rely heavily on distributors and our success depends on our ability to develop and manage our indirect distribution channels.

A significant percentage of our sales are made to distributors and to contract manufacturers who incorporate our products into end products for OEMs. For example, in the six months ended September 30, 2009 and in fiscal 2009, 2008 and 2007, our distributor Avnet Logistics accounted for 20.8, 25.3%, 29.2% and 24.7%, respectively, of our net revenues. Avnet Logistics and our other existing 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 may be unable to accurately predict future sales through our distributors, which could harm our ability to efficiently manage our resources to match market demand.

Our financial results, quarterly product sales, trends and comparisons are affected by fluctuations in the buying patterns of the OEMs that purchase our products from our distributors. While we attempt to assist our distributors in maintaining targeted stocking levels of our products, we may not consistently be accurate or successful. This process involves the exercise of judgment and use of assumptions as to future uncertainties, including end user demand. Inventory levels of our products held by our distributors may exceed or fall below the levels we consider desirable on a going-forward basis. This could result in distributors returning unsold inventory to us, or in us not having sufficient inventory to meet the demand for our products. If we are not able to accurately predict sales through our distributors or effectively manage our relationships with our distributors, our business and financial results will suffer.

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.

At September 30, 2009, four customers accounted for 26%, 14%, 13% and 11% of our accounts receivable, respectively. If any of these customers do not pay us, our operating results will be harmed. Generally, we do not require collateral from our customers.

Our acquisition of companies or technologies could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.

In August 2009, we consummated the acquisition of substantially all of the assets related to the SRAM memory device product line of Sony Corporation. In the future, we may make additional acquisitions or investments in companies, assets or technologies that we believe are complementary or strategic. Prior to the recently completed Sony Acquisition, we had not made any acquisitions or investments, and therefore our ability as an organization to make acquisitions or investments is unproven. In connection with the Sony acquisition and other acquisitions or investments we may make, we face numerous risks, including:

- difficulties in integrating operations, technologies, products and personnel;
- diversion of financial and managerial resources from existing operations;
- risk of overpaying for or misjudging the strategic fit of an acquired company, asset or technology;
- problems or liabilities stemming from defects of an acquired product or intellectual property litigation that may result from offering the acquired product in our markets;
- challenges in retaining key employees to maximize the value of the acquisition or investment;
- inability to generate sufficient return on investment;
- incurrence of significant one-time write-offs; and
- delays in customer purchases due to uncertainty.

If we proceed with additional acquisitions or investments, we may be required to use a considerable amount of our cash, or to finance the transaction through debt or equity securities offerings, which may decrease our financial liquidity or dilute our stockholders and affect the market price of our stock. As a result, if we fail to properly evaluate and execute acquisitions or investments, our business and prospects may be harmed.

If the recent worsening of credit market conditions continues or increases, it could have a material adverse impact on our investment portfolio.

Recent U.S. sub-prime mortgage defaults have had a significant impact across various sectors of the financial markets, causing global credit and liquidity issues. If the global credit market continues to deteriorate, our investment portfolio may be impacted and we could determine that some of our investments are impaired. This could materially adversely impact our results of operations and financial condition.

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.

In recent years, there has been significant litigation in the semiconductor industry involving patents and other intellectual property rights. In the past, we have been subject to claims and litigation regarding alleged infringement of other parties' intellectual property rights. In 2002, we settled patent litigation filed against us by one of our competitors. In connection with the settlement, we obtained a license from that competitor and agreed to pay a license fee and ongoing

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royalties. We could become subject to additional litigation in the future as a result of allegations that we infringe others' intellectual property rights or that our use of intellectual property otherwise violates the law. Claims that our products infringe the proprietary rights of others would force us to defend ourselves and possibly our customers or manufacturers against the alleged infringement. Any such litigation regarding intellectual property 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. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. 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.

Although patent disputes in the semiconductor industry have often been settled through cross-licensing arrangements, we may not be able in any or every instance to settle an alleged patent infringement claim through a cross-licensing arrangement. We have a more limited patent portfolio than many of our competitors. If a successful claim is made against us or any of our customers and a license is not made available to us on commercially reasonable terms or we are required to pay substantial damages or awards, our business, financial condition and results of operations would be materially adversely affected.

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 patent, 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. 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 without our approval or compensation, our ability to compete effectively could be harmed.

The market for Very Fast SRAMs is highly competitive.

The market for Very 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 a broad array of memory products and have greater financial, technical, marketing, distribution and other resources than we have. Some of our competitors maintain their own semiconductor fabrication facilities, which may provide them with capacity, cost and technical advantages over us. 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 Very Fast 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.

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In addition, we are vulnerable to advances in technology by competitors, including new SRAM architectures and new forms of DRAM, or the emergence of new memory technologies that could enable the development of products that feature higher performance, lower cost or lower power capabilities. Additionally, the trend toward incorporating SRAM into other integrated chips in the networking and telecommunications markets has the potential to reduce future demand for Very Fast SRAM products. There can be no assurance that we will be able to compete successfully in the future. Our failure to compete successfully in these or other areas could harm our business.

We may experience difficulties in transitioning to smaller geometry process technologies and other more advanced manufacturing process technologies, which 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. The manufacture and design of our products is complex, and 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 TSMC to transition successfully to smaller geometry process technologies and to more advanced manufacturing processes. We cannot assure you that TSMC will be able to effectively manage the transition or that we will be able to maintain our relationship with TSMC. If we or TSMC 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.

Manufacturing process technologies are subject to rapid change and require significant expenditures for research and development.

We continuously evaluate the benefits of migrating to smaller geometry process technologies in order to improve performance and reduce costs. Historically, these migrations to new manufacturing processes have resulted in significant initial design and development costs associated with pre-production mask sets for the manufacture of new products with smaller geometry process technologies. For example, in the quarter ended September 30, 2009, we incurred $650,000 in research and development expense associated with pre-production mask sets, which will not later be used in production as part of the transition to our new 65 nanometer process technology. We will incur similar expenses in the future as we continue to transition our products to smaller geometry processes. The transition costs inherent in the transition to new manufacturing process technologies will adversely affect our operating results and our gross margin.

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

We develop complex products. Despite testing by us and our OEM customers, 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 loss of market acceptance of our products and harm our relationships with our OEM customers. Our OEM customers 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.

Defects in wafers and other components used in our products and arising from the manufacturing of these products may not be fully recoverable from TSMC or other suppliers. For example, in the quarter ended December 31, 2005, we incurred a charge of approximately $900,000 related to the write-off of inventory resulting from an error in the assembly process at one of our suppliers. This write-off adversely affected our operating results for fiscal 2006.

We are dependent on a number of single source suppliers, and if we fail to obtain adequate supplies, our business will be harmed and our prospects for growth will be curtailed.

We currently purchase several key components used in the manufacture of our products from single sources and are dependent upon supply from these sources to meet our needs. If any of these suppliers cannot provide components on a timely basis, at the same price or at all, our ability to manufacture our products will be constrained and our business will suffer. For example, we obtain wafers from a single foundry, TSMC. If we are unable to obtain an adequate supply of wafers from TSMC or find alternative sources in a timely manner, we will be unable to fulfill our customer orders and our operating results will be harmed. We do not have supply agreements with TSMC or any of our independent assembly and test suppliers, and instead obtain manufacturing services and products on a purchase-order basis. Our suppliers, including TSMC, have no obligation to supply products or services to us for any specific product, in any specific quantity, at any specific price or for any specific time period. As a result, the loss or failure to perform by any of these suppliers could adversely affect our business and operating results.

Should any of our single source suppliers experience manufacturing failures or yield shortfalls, be disrupted by natural disaster or political instability, choose to prioritize capacity or inventory for other uses or reduce or eliminate deliveries to us, we likely will not be able to enforce fulfillment of any delivery commitments and we would have to identify and qualify acceptable replacements from alternative sources of supply. In particular, if TSMC is unable to supply us with sufficient quantities of wafers to meet all of our requirements, we would have to allocate our products among our customers, which would constrain our growth and might cause some of them to seek alternative sources of supply. Since the manufacturing of wafers and other components is extremely complex, the process of qualifying new foundries and suppliers is a lengthy process and there is no assurance that we will be able to find and qualify another supplier without materially adversely affecting our business, financial condition and results of operations.

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 TSMC, but instead obtain our wafers on a purchase order basis. In order to secure future wafer supply from TSMC or from other 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, even 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.

If we are unable to offset increased wafer fabrication costs by increasing the average selling prices of our products, our gross margins will suffer.

If there is a significant upturn in the networking and telecommunications markets that results in increased demand for our products and competing products, the available supply of wafers may be limited. As a result, we could be required to obtain additional manufacturing capacity in order to meet increased demand. Securing additional manufacturing capacity may cause our wafer fabrication costs to increase. If we are unable to offset these increased costs by increasing the average selling prices of our products, our gross margins will decline.

Demand for our products may decrease if our OEM customers experience difficulty manufacturing, marketing or selling their products.

Our products are used as components in our OEM customers' products. For example, Cisco Systems, our largest OEM customer, 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 OEM customers to successfully introduce and market their products, including:

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

As a result, if OEM customers reduce their purchases of our products, our business will suffer.

Downturns in the semiconductor industry may harm our revenues and margins.

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 adversely affect our revenues. If we are unable to control our expenses adequately in response to reduced net sales, our results of operations would be negatively impacted. For example, the industry downturn in 2001 resulted in a $3.9 million inventory write-off in fiscal 2002.

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 are vulnerable to advances in technology by competitors, including new SRAM architectures, new forms of DRAM and the emergence of new memory technologies that could enable the development of products that feature higher performance or lower cost. 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 integrated circuits, or IC, products other than Very 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.

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

Our products are generally incorporated in our OEM customers' 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 OEM customer 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 OEM customers' products. There can be no assurance that we will continue to achieve design wins or that any design win will result in future revenues.

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.

As our business grows, such growth may place a significant strain on our management and operations and, as a result, our business may suffer.

We plan to continue expanding our business, and our expected growth could place a significant strain on our management systems, infrastructure and other resources. To manage the expected growth of our operations and increases in the number of our personnel, we will need to invest the necessary capital to improve our operational, financial and management controls and our reporting systems and procedures. Our controls, systems and procedures might not be adequate to support a growing public company. In addition, we may not have sufficient administrative staff to support our operations. For example, we currently have only five employees in our finance department in the United States, including our Chief Financial Officer. Furthermore, our officers have limited experience in managing large or rapidly growing businesses and the majority of our management had no previous experience in managing a public

company or communicating with securities analysts and public company investors. If our management fails to respond effectively to changes in our business, our business may suffer.

Our international business exposes us to additional risks.

Products shipped to destinations outside of the United States accounted for 62.0%, 61.6%, 53.0% and 48.9% of our net revenues in the six months ended September 30, 2009 and in fiscal 2009, 2008 and 2007, 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:

- heightened price sensitivity from customers in emerging markets;
- compliance with a wide variety of foreign laws and regulations;
- legal uncertainties regarding taxes, tariffs, quotas, export controls, competition, 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;
- limited 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 portion of our cost of revenues and 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 transaction gains or losses that could impact our operating results. We do not currently engage in currency hedging activities.

TSMC, our other independent suppliers and many of our OEM customers have operations in the Pacific Rim, an area subject to significant earthquake risk and adverse consequences related to the potential outbreak of contagious diseases such as the H1N1 Flu.

The foundry that manufactures our products, TSMC, and all of the principal independent suppliers 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 the fabrication facilities of TSMC or our other independent suppliers 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. In such an event, we may not be able to obtain alternate foundry capacity on favorable terms, or at all.

The outbreak of SARS in 2003 curtailed travel to and from certain countries, primarily in the Asia-Pacific region, and limited travel within those countries. If there were to be another outbreak of a contagious disease, such as SARS or the H1N1 Flu, that significantly affected the Asia-Pacific region, the operations of our key suppliers could be disrupted. In addition, our business could be harmed if such an outbreak resulted in travel being restricted, as it was during parts of 2003, or if it adversely affected the operations of our OEM customers or the demand for our products or our OEM customers' 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 changes were to occur, our business could be harmed and our stock price could decline.

Market demand for our products may decrease as a result of changes in general economic conditions, as well as incidents of terrorism, war and other social and political instability.

Our revenues and gross profit depend largely on general economic conditions and, in particular, the strength of demand for our products in the markets in which we are doing business. From time to time, customers and potential customers have elected not to make purchases of our products due to reduced budgets and uncertainty about the future, and, in the case of distributors, declining demand from their customers for their solutions in which they integrate our products. Similarly, from time to time, acts of terrorism have had a negative impact on information technology spending. High fuel prices, ongoing concerns regarding the U.S. and worldwide economies and continuing turmoil in the Middle East and elsewhere have increased uncertainty in the United States and our other markets. Should the downturn in U.S. and global economic activity continue, our customers may delay or reduce their purchases of information technology, which would result in lower demand for our products and adversely affect our results of operations.

Proposed changes in US international tax laws could cause our operating results to suffer.

On May 4, 2009, U.S. President Barack Obama proposed significant changes to U.S. tax laws that would limit U.S. deductions for expenses related to un-repatriated foreign-source income and modify the U.S. foreign tax credit and "check-the-box" rules. We cannot determine whether these proposals will be enacted into law or what, if any, changes may be made to such proposals prior to their being enacted into law. If the U.S. tax laws change in a manner that increases our tax obligation, our operating results could suffer.

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 who must work together effectively in order to design our products, expand our business, increase our revenues and improve our operating results. The loss of services of Lee-Lean Shu, our President and Chief Executive Officer, Robert Yau, our Vice President of Engineering, any other executive officer or other key employee could significantly delay or prevent the achievement of our development and strategic objectives. We do not have employment contracts with, nor 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 OEM customers 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 products are increasingly being incorporated into advanced military electronics, and changes in international geopolitical circumstances and domestic budget considerations may hurt our business.

Our products are increasingly being incorporated into advanced military electronics such as radar and guidance systems. Military expenditures and appropriations for such purchases have risen significantly in recent years. However, should the current conflicts in Iraq and Afghanistan and the general war on terror subside, our operating results would likely suffer. Domestic budget considerations may also adversely affect our operating results. For example, if governmental appropriations for military purchases of electronic devices that include our products are reduced, our revenues will likely decline.

We incur significant costs as a result of being a public company, and the related commitment of resources may divert management attention from our business and impair our financial results.

As a public company, we are incurring and will continue to incur additional legal, accounting and other expenses that we did not incur as a private company. The Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and The NASDAQ Marketplace Rules now apply to us as a public company. Compliance with these rules and regulations have required significant increases in our legal and financial budgets and may also strain our personnel, systems and resources.

The Exchange Act requires, among other things, filing of annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Satisfying these requirements involves a commitment of significant resources and management oversight. As a result of management's efforts to comply with such requirements, other important business concerns may receive insufficient attention, which could have a material adverse effect on our business, financial condition and results of operations. Failure to meet certain of these regulatory requirements could also cause us to be delisted from the NASDAQ Global Market.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming process. On a continuous basis, we update our internal controls documentation and, where appropriate, improve our internal controls and procedures as we are subject to Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and in the current fiscal year a report by our independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting. Both we and our independent registered public accounting firm are, or will be, testing our internal controls in anticipation of becoming fully subject to Section 404 requirements and, as part of that documentation and testing, will identify areas for further attention and improvement. Implementing any appropriate changes to our internal controls may entail substantial costs in order to modify our existing financial and accounting systems, take a significant period of time to complete, and distract our officers, directors and employees from the operation of our business. These changes may not, however, be effective in maintaining the adequacy of our internal controls. Any failure to maintain that adequacy, or a consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs, materially impair our ability to operate our business, and adversely affect our stock price.

Our operations involve the use of hazardous and toxic materials, and we must comply with environmental laws and regulations, which can be expensive, and may affect our business and operating results.

We are subject to federal, state and local regulations relating to the use, handling, storage, disposal and human exposure to hazardous and toxic materials. If we were to violate or become liable under environmental laws in the future as a result of our inability to obtain permits, human error, accident, equipment failure or other causes, we could be subject to fines, costs, or civil or criminal sanctions, face property damage or personal injury claims or be required to incur substantial investigation or remediation costs, which could be material, or experience disruptions in our operations, any of which could have a material adverse effect on our business. In addition, environmental laws could become more stringent over time imposing greater compliance costs and increasing risks and penalties associated with violations, which could harm our business.

We also face increasing complexity in our product design as we adjust to new and future requirements relating to the materials composition of our products, including the restrictions on lead and other hazardous substances applicable to specified electronic products placed on the market in the European Union (Restriction on the Use of Hazardous Substances Directive 2002/95/EC, also known as the RoHS Directive). We also expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis. Although we cannot predict the ultimate impact of any such new laws and regulations, they will likely result in additional costs, and could require that we change the design and/or manufacturing of our products, any of which could have a material adverse effect on our business.

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The trading price of our common stock is subject to fluctuation and is likely to be volatile.

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;
- rapid changes in industry estimates in demand for Very Fast SRAM products;
- 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.

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.

Our executive officers, directors and entities affiliated with them hold a substantial percentage of our common stock.

As of September 30, 2009, our executive officers, directors and entities affiliated with them beneficially owned approximately 24% of our outstanding common stock. As a result, these stockholders will be able to exercise substantial influence over, and may be able to effectively control, 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.

Our Board of Directors has 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:

- our stockholders have no right to remove directors without cause;
- our stockholders have no right to act by written consent;
- our stockholders have no right 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.

We do not expect to pay any cash dividends for the foreseeable future.

We do not anticipate that we will pay any cash dividends to holders of our common stock in the foreseeable future. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Stock Repurchase Program

On November 6, 2008, our Board of Directors authorized us to repurchase, at management's discretion, up to $10 million of our common stock. Under the repurchase program, we may repurchase shares from time to time on the open market or in private transactions. The specific timing and amount of the repurchases will be dependent on market conditions, securities law limitations and other factors. The repurchase program may be suspended or terminated at any time without prior notice. During the quarter ended September 30, 2009, we did not repurchase any shares.

Item 4. ***Submission of Matters to a Vote of Security Holders***

At the Company's annual meeting of stockholders held on August 27, 2009, the following proposals were submitted to a vote of stockholders:

Proposal No. 1: Election of Directors

The following votes were cast for the nominees, and each such nominee was elected to the Company's Board of Directors:

Name	Votes For	Votes Withheld
Lee-Lean Shu	20,043,338	954,253
Haydn Hsieh	20,050,507	947,084
Ruey L. Lu	19,909,773	1,087,818
Arthur O. Whipple	19,022,611	1,974,980
Robert Yau	19,854,424	1,143,167

Proposal No. 2: Ratification of the appointment of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2009, which was approved by the following vote:

For	20,971,384
Against	25,407
Abstain	800

Item 6. ***Exhibits***

Exhibit Number	Name of Document
10.1*	Asset Purchase Agreement dated August 28, 2009 between GSI Technology, Inc and Sony Electronics Inc.
10.2	Intellectual Property Agreement dated August 28, 2009 between GSI Technology, Inc. and Sony Electronics Inc.
10.3	Agreement of Purchase and Sale dated September 15, 2009 between GSI Technology, Inc. and James S. Lindley and Sally K. Lindsey, Trustees of the Lindsey Family Trust dated May 25, 2004 and Khalil Jenab and Tiffany Renee Jenab, Trustees of the Jenab Family 1997 Trust dated December 11, 1997.
31.1	Certification of Lee-Lean Shu, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Douglas Schirle, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Lee-Lean Shu, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Douglas Schirle, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* This exhibit has been filed separately with the Commission pursuant to an application for confidential treatment. The confidential portion of this exhibit has been omitted and marked by asterisks.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 16, 2009

GSI Technology, Inc.

By: /s/ LEE-LEAN SHU
Lee-Lean Shu
President, Chief Executive Officer and Chairman

By: /s/ DOUGLAS M. SCHIRLE
Douglas M. Schirle
Chief Financial Officer

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EXHIBIT INDEX

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EXHIBIT 10.1

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED AS TO A TERM IN THIS EXHIBIT, WHICH TERM HAS BEEN OMITTED AND REPLACED WITH [***] AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

ASSET PURCHASE AGREEMENT

between

Sony Electronics Inc.

as Seller,

and

GSI Technology, Inc.

as Purchaser

August 28, 2009

CONFIDENTIAL TREATMENT REQUESTED

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EXHIBITS

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Exhibit G — Form of LOI Amendment
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Schedule 8.11 — Customer Support

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of August 28, 2009 by and between GSI Technology, Inc., a Delaware corporation ("Purchaser"), on the one hand, and Sony Electronics Inc., a Delaware corporation ("Seller"), on the other hand.

RECITALS:

WHEREAS, Seller presently conducts the business (the "Business") of manufacturing, marketing and selling a line of SRAM memory devices under the "SONY" brand (the "SRAM Products"), all of which are listed by part number on Schedule 6.8(a) hereto; and

WHEREAS, Seller desires to sell and Purchaser desires to purchase and/or license the right to manufacture, market and sell the SRAM Products and certain assets, rights and properties owned by Seller and its Affiliates that are used or useful in connection with the Business, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 **Definitions**. As used in this Agreement, unless the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth on Exhibit A hereto.

ARTICLE 2

PURCHASE OF ASSETS

2.1 **Purchase and Sale of Transferred Assets**. On the terms and subject to the conditions hereof at the Closing (as defined in Section 5.1), Seller and its Affiliates will grant to Purchaser certain licenses under the SRAM Intellectual Property, as set forth in the IP Agreement, and Seller and its Affiliates will sell transfer, convey, assign and deliver, and Purchaser will purchase and accept, all of their respective right, title and interest in and to the rights, properties and assets described in this Section 2.1(a)-(f) (collectively, the "Transferred Assets") free and clear of all Liens:

(a) **Products**. All right, title and interest of Seller and its Affiliates in and to the SRAM Products and the manufacture, marketing and sale thereof, including without limitation the part numbers and package designations associated therewith (subject to limitations set forth in the IP

Agreement).

(b) **Inventories**. All inventory of finished SRAM Products, work-in-progress inventory for SRAM Products and**,** with regard to the New Product all first silicon wafers and

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package units, on hand at July 30, 2009, as set forth on Exhibit B hereto, as such Exhibit shall be amended and updated as of the Closing Date (as defined in Section 5.1) to reflect changes therein occurring in the ordinary course of the Business prior to the Closing and approved in writing in advance by Purchaser (the "SRAM Product Inventory").

(c) **Equipment**. The manufacturing, assembly and test equipment, Mask Works and other tangible assets and properties (and all spare parts on hand therefor) set forth on Exhibit C hereto (the "Transferred Equipment").

(d) **Purchase Orders**. All rights and incidents of interest in and to all purchase orders and quotes for the purchase of SRAM Products as listed and described on Exhibit D hereto (the "SRAM Purchase Orders").

(e) **Contracts**. Subject to Section 2.3, all rights and incidents of interest in and to the Contracts set forth on Exhibit E hereto (collectively, the "SRAM Contracts"), provided that Seller's obligations to effect the assignment of the SRAM Contracts will be subject to the provisions of Section 5.3(e).

(f) **Databases, Documentation and Records**. All databases, documentation and operating records related to the Current Products and the New Product, including: marketing materials; product design databases and documentation; computer aided design (CAD) programs and documentation (including mask tape-out (MTO) preparations); production documentation (including production flows, test programs and assembly documentation); yield history documentation; manufacturing cost documentation; test software; historical shipping records; quality and reliability records and documentation; and historical pricing documentation.

2.2 **Excluded Assets.**

(a) **Assets not Subject to Transfer**. The Transferred Assets shall not include the following assets of Seller or any Affiliate of Seller (the "Excluded Assets"):

(i) accounts receivable, cash or Cash Equivalents, whether or not related to the Business;

(ii) certificates of deposit, shares of stock, securities, bonds, debentures, evidences of indebtedness, and interests in any Person;

(iii) any and all of Seller's rights in any Contract or arrangement representing an intercompany transaction between Seller and any Affiliate of Seller, whether or not such transaction relates to the provision of goods and services, payment arrangements, intercompany charges or balances, or the like;

(iv) all Tax Returns and all losses, loss carry forwards and rights to receive refunds, credits and credit carry forwards with respect to any and all Taxes, including, without limitation, interest thereon, whether or not the foregoing are derived from the Business;

(v) the minute books, stock transfer books, corporate seals and other books and records of Seller and its Affiliates;

(vi) all current and prior insurance policies and all rights of any nature with respect thereto, including all insurance recoveries thereunder and rights to assert claims with respect to any such insurance recoveries;

(vii) all assets of any employee benefit plan;

(viii) all rights, title and interests in or to the name "SONY," or any derivation thereof, as well as any related or similar name, and any other related trade names, trademarks, service marks, corporate names and logos or any part, derivation, colorable imitation or combination thereof;

(ix) any and all causes of action against third parties arising prior to the Closing and relating to any of the Transferred Assets or Intellectual Property, including any claims for refunds, prepayments, offsets, recoupment, insurance proceeds, condemnation awards, judgments, and the like, whether received as payment or credit against future liabilities or otherwise;

(x) all real property owned in fee or leased by Seller;

(xi) any governmental licenses, permits and approvals issued to Seller, to the extent their transfer is not permitted by law;

(xii) any rights in, to and under all Contracts, arrangements, permits or licenses of any nature, of which the obligations of Seller thereunder are not expressly assumed by Purchaser hereunder;

(xiii) any books, ledgers, files, reports, plans and operating records that Seller or any of its Affiliates are required to retain pursuant to any applicable statute, rule, regulation or ordinance or which relate to the Excluded Assets or the Retained Liabilities;

(xiv) all assets not related exclusively to the Business;

(xv) any Intellectual Property except for the specific Intellectual Property specified in Section 2.1(c) and Section 2.1(f);

(xvi) all of Seller's rights under this Agreement and any agreement or other written instrument entered into in connection with the transactions contemplated hereby; and

(xvii) those assets listed in Schedule 2.2(a)(xvii) hereto.

(b) **Use of Name**. Purchaser shall not acquire under the terms of this Agreement any title or interest in Seller's name, monograms, logos, trademarks, or any variations or combinations thereof. The right to use such name, monograms, logos, trademarks or any variations or combinations thereof shall be pursuant to the IP Agreement.

2.3 **Nonassignable Contracts.** Notwithstanding anything to the contrary contained in this Agreement, except as specifically provided in Section 5.3(e), to the extent that the sale,

assignment, lease, sublease, transfer, conveyance or delivery, or attempted sale, lease, sublease, assignment, transfer, conveyance or delivery, to Purchaser of any asset that would be a Transferred Asset or any claim or right or any benefit arising thereunder or resulting therefrom is prohibited by any Law or would require any Consent or waiver by any Governmental Authority or other Person, and such Consent or waiver shall not have been obtained prior to the Closing (a "Non-Assignable Contract"), the Closing shall proceed, subject to Article 5, without the sale, assignment, lease, sublease, transfer, conveyance or delivery of such asset (and the failure to obtain such Consent or waiver and the failure to sell, assign, convey or deliver such asset shall not constitute a breach of this Agreement by Seller), and this Agreement shall not constitute a sale, assignment, sublease, transfer, conveyance or delivery of such asset or an attempt thereof. In the event that the Closing proceeds without the transfer, sublease or assignment of any such asset, then following the Closing, the parties shall use commercially reasonable efforts and cooperate with each other to obtain promptly such Consents or waivers; provided, however, that Seller shall not be required to pay any consideration or compromise any rights not otherwise required by this Agreement to be compromised for any such Consent or waiver, other than filing, recordation or similar fees, which shall be paid by Seller. Pending such Consent or waiver, the parties shall cooperate with each other in any mutually agreeable, reasonable and lawful arrangements designed to provide to Purchaser the benefits of use of such asset and to Seller the benefits, including any indemnities, that it would have obtained had the asset been conveyed to Purchaser at the Closing. To the extent that Purchaser is provided the benefits pursuant to this Section 2.3 of any Contract, Purchaser shall perform for the benefit of the other Persons that are parties thereto the obligations of Seller thereunder and pay, discharge and satisfy any related liabilities that, but for the lack of a Consent or waiver to assign such liabilities to Purchaser, would be Assumed Liabilities. Once all required Consents or waivers for the sale, assignment, lease, sublease, transfer, conveyance or delivery of any such asset not sold, assigned, leased, subleased, transferred, conveyed or delivered at the Closing is obtained, Seller shall assign, lease, sublease, transfer, convey or deliver such asset to Purchaser at no additional cost to Purchaser. To the extent that any such asset cannot be transferred or the full benefits of use of any such asset cannot be provided to Purchaser following the Closing pursuant to this Section 2.3, then Seller and Purchaser shall enter into such arrangements (including leasing, subleasing, sublicensing or subcontracting) to provide to the parties the economic (taking into account Tax costs and benefits) and operational equivalent, to the extent permitted, of obtaining such authorization, approval, consent or waiver and the performance by Purchaser of the obligations thereunder. Seller shall pay to Purchaser promptly upon receipt thereof, all income, proceeds and other monies received by Seller in connection with its use of any asset (net of any Taxes and any other costs imposed upon Seller) in connection with the arrangements under this Section 2.3.

ARTICLE 3

ASSUMPTION OF LIABILITIES

3.1 **Assumed Liabilities**. Upon the terms and subject to the conditions of this Agreement, Purchaser agrees, effective at the Closing, to assume the following Liabilities of Seller relating to the Transferred Assets or the Business **(**the "Assumed Liabilities"):

(a) all Liabilities arising from the manufacture, distribution or sale of any products of the Business after the Closing;

(b) any Tax that may be imposed by any federal, state or local government on the ownership, sale, operation or use of the Transferred Assets on or after the Closing Date, except for any income taxes attributable to income received by Seller;

(c) all Liabilities of the Business arising and to be performed from and after the Closing Date under or relating to the Assumed Contracts; and

(d) all Liabilities arising and to be performed from and after the Closing Date with respect to former employees of Seller that Purchaser elects to hire pursuant to Section 8.1.

Purchaser's obligations under this Section 3.1 will not be subject to offset or reduction by reason of any actual or alleged breach of any representation, warranty or covenant contained in this Agreement or any Schedule or Exhibit hereto, or any closing or other document contemplated by this Agreement or any Schedule or Exhibit hereto, any right or alleged right of indemnification hereunder, or for any other reason.

3.2 **Retained Liabilities**. Notwithstanding any provision in this Agreement, Purchaser shall not assume, and Seller shall retain and be responsible for performing and discharging, any and all Liabilities of Seller, whether or not related to the Business, and whether presently fixed and

determined, contingent or otherwise, other than the Assumed Liabilities to be expressly assumed by Purchaser under Section 3.1 (the "Retained Liabilities"). The Retained Liabilities shall include, without limitation:

(a) Liabilities for which Seller expressly has responsibility pursuant to the terms of this Agreement;

(b) Liabilities to the extent arising out of or relating to the Excluded Assets;

(c) Liabilities of any kind to Seller's employees and former employees, except as specifically provided in Section 3.1(d);

(d) the Accounts Payable of Seller (including Accounts Payable relating exclusively to the Business existing as of the Closing Date); and

(e) any and all Liabilities for Taxes related to the Business or the Transferred Assets for taxable periods prior to the Closing Date, except for Taxes attributable to actions of Purchaser, occurring on or after the Closing Date.

ARTICLE 4

PURCHASE PRICE

4.1 **Purchase Price.** In consideration of the conveyance to Purchaser of the Transferred Assets and other rights granted to Purchaser pursuant hereto and pursuant to the IP Agreement, Purchaser shall pay to Seller: (i) the Closing Payment, calculated and payable pursuant to Section 4.2; (ii) the Inventory Adjustment Payment, calculated and payable pursuant to Section 4.3; and (iii) the Contingent Payments, calculated and payable pursuant to Section 4.4 (collectively, the "Purchase Price").

4.2 **Closing Payment.** At the Closing, Purchaser shall (a) pay to Seller the sum of $5,178,000 by wire transfer in accordance with written instructions provided by Seller prior to the Effective Date (the "Closing Payment") and (b) assume the Assumed Liabilities.

4.3 **Inventory Adjustment Payment**. Promptly following the Closing, Seller shall amend and update Exhibit B to reflect the final SRAM Inventory as of the Closing, including all changes in the SRAM Inventory between July 30, 2009 and the Closing (the "Closing SRAM Inventory Schedule"). Purchaser shall have the right to observe the final inventory count at Sellers' facilities. Seller shall deliver its proposed Closing SRAM Inventory Schedule to Purchaser not later than ten Business Days following the Closing. Purchaser shall have ten Business Days following receipt of the proposed Closing SRAM Inventory Schedule to confirm its agreement or to advise Seller of any proposed revisions thereto. Within five Business Days following the parties' agreement on the Closing SRAM Inventory Schedule, Purchaser shall pay to Seller by wire transfer, in accordance with written instructions given by Seller, the sum of $1,716,625, as such amount shall be adjusted to reflect any reduction in the number of units of SRAM Product Inventory in any of the following categories and/or any increases in the number of such units approved in advance by Purchaser, as shown on the Closing SRAM Inventory Schedule, from the number of units in such category originally shown on Exhibit B, based on the following per unit values (the "Inventory Adjustment Payment"):

Product	Front End Work-in-Progress	Back End Work-in-Progress	Finished Goods
Sigma RAM	$ 6.13	$ 9.99	$ 17.59
CIS-SRAM	$ 27.68	$ 39.09	$ 51.65
36M SRAM	$ 6.08	$ 10.05	N/A

4.4 **Contingent Payments.**

(a) **Amount.** Purchaser shall pay to Seller cash payments equal to [***] of the Net Revenues derived by Purchaser from the sale of CIS-SRAMs ("CIS-SRAM Revenues") during the eight calendar quarters beginning with the first calendar quarter following the Closing in which CIS-SRAM Revenues are recorded in compliance with GAAP by Purchaser (the "Contingent Payments").

(b) **Payment**. The Contingent Payment for any applicable calendar quarter shall be paid to Seller by wire transfer, in accordance with written instructions provided by Seller, no later than 45 days following the end of the applicable quarter and shall be accompanied by a written report showing the amount of CIS-SRAM Revenues during the quarter, including a detailed line item accounting of reductions in revenues charged against Gross Revenues for purposes of determining CIS-SRAM Revenues.

(c) **Review Rights.** Upon the written request of Seller, made not more frequently than twice during any 12-month period, Purchaser shall allow Seller and its accountants reasonable access during normal business hours to Purchaser's books and records relating to the calculation of CIS-SRAM Revenues for the limited purpose of reviewing such

calculation, provided that such accountants have entered into confidentiality and non-disclosure agreements reasonably acceptable to Purchaser. Access shall be made available within 15 days following Seller's written request. Should such review disclose an error in the calculation of CIS-SRAM Revenues or any Contingent Payment, Purchaser will promptly, but in no case more than five Business Days following the determination of such error, remit to Seller any additional Contingent Payment owed to Seller. All expenses incurred by Seller in performing any such review shall be borne by Seller, unless such review discloses an error of 2% or more in the calculation of CIS-SRAM Revenues for any calendar quarter, in which case Purchaser shall promptly, but in no case

more than five Business Days following the determination of such error, reimburse Seller for such expenses. In the event that any such review discloses an error of 2% or more in such calculation, Seller shall thereafter have the right to conduct such reviews on a quarterly basis.

4.5 **Allocation of Purchase Price.** No later than 90 days following the Closing, Purchaser shall prepare and deliver to Seller, for its review and approval, a statement (the "Allocation Statement") allocating, for U.S. federal income tax purposes, the Purchase Price (as adjusted for federal income tax purposes to take into account any Assumed Liabilities) among the Transferred Assets, in accordance with Section 1060 of the Code and the regulations promulgated thereunder. The Allocation Statement may be revised by Seller and Purchaser to reflect any Purchase Price adjustments. In the event that Seller objects in writing to all or any part of the Allocation Statement within 20 days following Seller's receipt thereof, Seller and Purchaser shall seek in good faith to resolve any differences they have with respect to the Allocation Statement during the 20 days immediately following delivery of such notice. Notwithstanding anything herein to the contrary, if the parties are unable to resolve their differences within such period, then the parties shall not be bound by the Allocation Statement and shall be free to allocate the Purchase Price for Tax purposes on an inconsistent basis. If the Allocation Statement is not timely objected to by Seller, or is agreed to by Seller and Purchaser, then (i) the Allocation Statement shall be conclusive and binding upon the parties for all purposes, and neither Seller nor Purchaser shall take any tax position which is inconsistent with such allocation, (ii) Purchaser and Seller shall each file IRS Form 8594 and all federal, state, local and other Tax Returns required to be filed in accordance with the Allocation Statement and (iii) the parties agree to consult, and to cause their respective Affiliates to consult, with one another with respect to any Tax audit, controversy or litigation relating to the Allocation Statement by the IRS or another tax authority (it being understood that, notwithstanding the foregoing, in the event the IRS challenges any position taken by either party relating to the Allocation Statement, such party may settle or litigate such challenge without the consent of, or liability to, the other parties).

ARTICLE 5

CLOSING

5.1 **Closing**. The consummation of the transactions contemplated hereby (the "Closing") shall take place at the offices of Seller, 1730 N. First Street, San Jose, California (or at such other place as the parties may designate), at 9:00 a.m. on August , 2009 or, if later, the third Business Day after such later date as the conditions specified in Sections 5.4 and 5.5 are

fulfilled. The date on which the Closing is effected is referred to in this Agreement as the "Closing Date."

5.2 **Deliveries at Closing**. At the Closing:

(a) **Seller Deliveries**. Seller shall deliver to Purchaser the items described in clauses (i) through (vii) below:

(i) one or more bills of sale, in form and substance reasonably satisfactory to Purchaser and Seller (collectively, the "Bill of Sale"), executed by Seller and its Affiliates with respect to the Transferred Assets owned by each such Person;

(ii) assignments of contracts, in form and substance reasonably satisfactory to Purchaser and Seller (the "Assignments of Contracts"), executed by Seller and its Affiliates with respect to the SRAM Purchase Orders and SRAM Contracts to which each such Person is a party;

(iii) the Intellectual Property Agreement, dated as of the Closing Date, in the form attached hereto as Exhibit F (the "IP Agreement"), executed by Seller;

(iv) the Amendment to the Letter of Intent between the parties dated February 12, 2008 (the "Letter of Intent"), substantially in the form attached hereto as Exhibit G (the "LOI Amendment"), executed by Seller and Parent;

(v) the Reseller Agreement, dated as of the Closing Date, in the form attached hereto as Exhibit H (the "Reseller Agreement"), executed by Seller;

(vi) evidence that the individuals signing this Agreement and the Collateral Agreements on behalf of Seller and its Affiliates are authorized to do so; and

(vii) all other documents, certificates, instruments or writings required hereunder to be delivered by Seller or reasonably requested by Purchaser in connection herewith.

(b) **Purchaser Deliveries**. Purchaser shall deliver to Seller the items described in clauses (i) through (vi) below:

(i) the Closing Payment by wire transfer of immediately available funds to the account designated in writing by Seller;

(ii) any sales tax applicable to the transfer of U.S. based Transferred Assets as set out in any Bill of Sale delivered to Purchaser;

(iii) the IP Agreement, executed by Purchaser;

(iv) the LOI Amendment, executed by Purchaser;

(v) the Reseller Agreement, executed by Purchaser;

(vi) evidence that the individuals signing this Agreement and the Collateral Agreements on behalf of Purchaser are authorized to do so; and

(vii) all other documents, certificates, instruments or writings required hereunder to be delivered by Purchaser or reasonably requested by Seller in connection herewith.

(c) **Collateral Agreements**. The Bill of Sale, Assignments of Contracts, IP Agreement and Reseller Agreement shall constitute, collectively, the "Collateral Agreements."

5.3 **Delivery of Purchased Assets**. Title to the Transferred Assets will pass to Purchaser as of the Closing at the locations where such Transferred Assets are physically located. Promptly following the Closing, Seller will place Purchaser in full possession and control of the Transferred Assets and all other information to be provided in accordance with the terms of the IP Agreement, and Purchaser shall promptly remove the Transferred Assets from Seller's premises as follows:

(a) All Transferred Assets and other information capable of electronic transmission will be transmitted to Purchaser in such manner, as reasonably instructed by Purchaser.

(b) All other assets and information will be made available to Purchaser by Seller at the facilities where such items are currently located. Purchaser and Seller shall agree on a schedule for the transfer of such Transferred Assets as soon as practicable following the Closing. Seller shall allow reasonable access to its premises and otherwise cooperate reasonably with Purchaser so that Purchaser may promptly remove such items. Seller shall, at its expense: (i) disassemble and crate all Transferred Equipment in accordance with applicable industry standards and subject to appropriate manufacturer certification; and (ii) make any permanent or temporary modifications to its facilities (including the removal of windows or doors), in each case as may be necessary for the removal of any Transferred Equipment from Seller's premises. Purchaser shall otherwise be responsible for the removal and transportation of such assets, at its cost and risk of loss.

(c) Seller shall have no responsibility for the maintenance of the Transferred Equipment following the Closing.

(d) Seller shall have the right to retain copies and/or originals of the databases, documentation, records and other Transferred Assets described in Section 2.1(f) solely for archival purposes and for use related to warranty claims and other customer claims concerning SRAM Products sold by Seller prior to the Closing.

(e) Seller shall obtain and deliver to Purchaser within 30 days following the Closing Date all Consents and waivers required to permit the assignment to Seller of the key SRAM contracts listed on Schedule 5.3(e) hereto (the "Key SRAM Contracts"). Seller will use commercially reasonable efforts to effect the assignment of the other SRAM Contracts as soon as possible after the Closing.

5.4 **Conditions Precedent to Obligations of Purchaser**. The obligations of Purchaser under this Agreement to consummate the transactions contemplated hereby will be

subject to the satisfaction, at or prior to the Closing, of all of the following conditions, any one or more of which may be waived at the option of Purchaser:

(a) All representations and warranties of Seller made in this Agreement or in any exhibit, schedule or document delivered pursuant hereto shall be true and complete in all material respects on and as of the Closing Date as if made on and as of that date.

(b) All of the terms, covenants and conditions of this Agreement to be complied with and performed by Seller on or prior to the Closing Date shall have been duly complied with or performed.

(c) No suit, action, claim or governmental proceeding shall be pending against, and no order, decree or judgment of any court, agency or Governmental Authority shall have been rendered against, any party hereto that would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms.

5.5 **Conditions Precedent to Obligations of Seller**. The obligations of Seller under this Agreement to consummate the transactions contemplated hereby will be subject to the satisfaction, at or prior to the Closing, of all the following conditions, any one or more of which may be waived at the option of Seller:

(a) All representations and warranties of Purchaser made in this Agreement or in any exhibit, schedule or document delivered pursuant hereto shall be true and complete in all material respects as of the Closing Date as if made on and as of that date.

(b) All of the terms, covenants and conditions of this Agreement to be complied with and performed by Purchaser on or prior to the Closing Date shall have been duly complied with or performed.

(c) No suit, action, claim or governmental proceeding shall be pending against, and no order, decree or judgment of any court, agency or other Governmental Authority shall have been rendered against, any party hereto that would render it unlawful, as of the Closing Date, to effect the transactions contemplated by this Agreement in accordance with its terms.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby makes the following representations and warranties to Purchaser, each of which shall be true and correct as of the date hereof and as of the Closing Date and shall be unaffected by any investigation heretofore or hereafter made.

6.1 **Organization and Good Standing.** Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease or otherwise hold its properties and assets and to carry on its business as presently conducted.

6.2 **Authorization and Effect of Agreement**. Seller and its Affiliates each has the requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements to which it is a party, and to perform the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement, the execution and delivery by Seller and its Affiliates of the Collateral Agreements and the performance by each of them of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Seller and its Affiliates, as applicable, and do not and will not require any consent or approval of any Governmental Authority or any other Person. This Agreement has been duly executed and delivered by Seller and constitutes a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity. Each of the Collateral Agreements, when executed and delivered by Seller and its Affiliates at the Closing, will constitute a valid and binding agreement of Seller and/or its Affiliate(s), as applicable, enforceable against such Person(s) in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity.

6.3 **No Conflicts**. The execution and delivery of this Agreement and the Collateral Agreements by Seller and its Affiliates does not, and the performance by Seller and its Affiliates of the transactions contemplated by this Agreement and the Collateral Agreements will not, conflict with, or result in any violation of, or constitute a default under, or, as applicable, give rise to the creation of a Lien upon any of the Transferred Assets or to a right of termination, cancellation or acceleration of any obligation or to a loss of a benefit under, (a) any provision of the Certificate of Incorporation or Bylaws or other applicable constituent documents of Seller or any of its Affiliates, (b) except for Consents required to permit Seller or its Affiliates to assign SRAM Contracts (each of which consent is described on Exhibit E hereto), any of the terms, conditions or provisions of any Contract by which Seller of any of its Affiliates is bound, or (c) any Law or Order applicable to or binding on Seller or any of its Affiliates or any of their respective assets. Except for any Consents required to permit the assignment of SRAM Contracts, no Consent is required to be obtained, made or given (whether pursuant to applicable Law, Contract or otherwise) in connection with the execution and delivery of this Agreement or any of the Collateral Agreements by Seller or any of its Affiliates or the performance by any of them of the transactions contemplated hereby or thereby.

6.4 **No Third Party Options**. There are no existing agreements, options or commitments granting to any Person the right to acquire any of the Transferred Assets or any interest therein except for sales of SRAM Product Inventory in the ordinary course of business.

6.5 **Financial Data**. All historical financial data related to the Business provided to Purchaser in connection with the negotiation of the transactions contemplated hereby was accurately extracted from the books and records of Seller. Such financial information presents fairly, in all material respects, the financial position and the results of operations of the Business for the periods indicated (exclusive of the Excluded Assets and the Retained Liabilities), except for the omission of certain information required by GAAP to be included in footnotes to such financial information, which footnotes have not been prepared by Seller. Seller makes no other

representations with regard to such financial information. Purchaser acknowledges that such financial information was prepared solely for the purpose of this Agreement and that the Business was not conducted on a stand-alone basis as a separate entity during the periods indicated in such financial information and that the financial information includes allocations and estimates not necessarily indicative of the costs that would have resulted if the Business had been operated and conducted on a stand-alone basis as a separate entity during such periods**.**

6.6 **Litigation**.

(a) There are no judicial or administrative actions, proceedings or investigations pending or threatened that question the validity of this Agreement or any action taken or to be taken by Seller in connection with this Agreement.

(b) There are no lawsuits, claims, administrative or other proceedings or investigations relating to the conduct of the Business or otherwise affecting the Transferred Assets pending or threatened against Seller or any of its Affiliates, except as disclosed on Schedule 6.6(b) hereto.

(c) There are no Orders of any Governmental Authority binding on Seller or any of its Affiliates that relate to the Business or otherwise affect the Transferred Assets.

6.7 **Title to and Condition of Assets**. Seller and each of its Affiliates owns, leases or has the legal right to use all of its respective Transferred Assets, as identified in the exhibits hereto (other than SRAM Intellectual Property which is subject to the IP Agreement) and has good title to (or in the case of leased Transferred Assets, valid leasehold interests in) all such Transferred Assets (other than SRAM Intellectual Property which is subject to the IP Agreement). The Transferred Assets are in good operating condition and repair, subject to normal wear, are usable in the regular and ordinary course of business and conform to all applicable Laws. At the Closing, Seller and its Affiliates will sell, convey, assign, transfer and deliver to Purchaser (i) valid and marketable title to all of the Transferred Assets, and (ii) all their respective right and interest in and to all of the Transferred Assets (other than SRAM Intellectual Property which is subject to the IP Agreement), free and clear of any Liens.

6.8 **Products**

(a) Attached hereto as Schedule 6.8(a) is a complete list of the SRAM Products by part number.

(b) All SRAM Product Inventory consisting of finished SRAM Products is of good and merchantable quality and is free of defects, except for such inventory that is designated as defective on Exhibit B hereto and as to which no value has been assigned. All other SRAM Product Inventory meets Seller's defined yield expectations as set forth on Schedule 6.8(b) hereto, but no warranty of merchantability or other warranties are given for such goods.

(c) Schedule 6.8(c) sets forth the standard form terms and conditions of all product warranties generally extended by Seller to purchasers of the SRAM Products during the preceding three years.

(d) Aside from its obligations under such standard warranties, Seller is not under any liability or obligation with respect to the return of any inventory in the possession of distributors or other customers.

6.9 **Contracts**. Each SRAM Contract is valid and enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity. Seller is not, and to Seller's Knowledge, no other party thereto is, in material default in the performance, observance or fulfillment of any obligation under the SRAM Contracts. To Seller's Knowledge, no event has occurred which, with or without the giving of notice or lapse of time, or both, would constitute a default thereunder. To Seller's Knowledge, the SRAM Contracts represent all contracts material to the operation of the Business.

6.10 **Business Contained in Seller**. All of the assets, properties and rights under agreements, contracts, licenses and leases constituting the Transferred Assets are owned, leased, held or licensed by Seller or its Affiliates. Where not owned by Seller, the owner is indicated on the exhibits attached hereto.

6.11 **Tax Matters**. All material Tax Returns that are required to be filed on or before the date hereof with respect to any Tax by or on behalf of Seller have been filed and all Taxes shown to be due and payable on such Tax Returns have been paid except where such Tax is being contested in good faith by appropriate proceedings or where the failure to so file or pay would not be reasonably likely to be material to Seller. There are no Liens for Taxes upon any of the Transferred Assets, except for Liens for Taxes not yet due and payable. For current property taxes, Purchaser and Seller agree that the assessment date (or lien date) will determine the ownership of the liability. If the Closing takes place after the assessment date, then the property tax liability remains with Seller. If the Closing takes place before the assessment date then the liability will transfer to Purchaser.

6.12 **Compliance with Laws**. Seller, its Affiliates and their respective officers and employees have complied in all material respects with, are not in violation in any material respect of, and have not received any notices of violation with respect to, any foreign, federal, state, province or local Law with respect to the conduct of the Business or the ownership or operation of the Transferred Assets. There are no governmental licenses, permits or approvals issued to Seller that relate exclusively to the Business or the SRAM Products.

6.13 **Restrictions on Business Activities**. There is no agreement (noncompete or otherwise), commitment, judgment, injunction, order or decree to which Seller, any of its Affiliates or, to Seller's Knowledge, any of their respective officers is a party or otherwise binding upon Seller, any of its Affiliates or, to Seller's Knowledge, any of their respective officers that has or reasonably could be expected to have the effect of prohibiting or materially impairing the transactions contemplated hereby, the conduct of the Business by Purchaser or the performance of any party's obligations under this Agreement or the Collateral Agreements.

6.14 **Disclosure.** No representation or warranty of Seller contained herein, and no statement contained in any document or other instrument furnished or to be furnished by Seller

to Purchaser in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the representation, warranty or statement so made not misleading. Seller has delivered to Purchaser complete and accurate copies of each Contract or other document referred to in any Exhibit or Schedule hereto or otherwise included in the Transferred Assets.

6.15 **Brokers**. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the following representations and warranties to Seller, each of which shall be true and correct as of the date hereof and as of the Closing Date and shall be unaffected by any investigation heretofore or hereafter made.

7.1 **Corporate Organization**. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease or otherwise hold its properties and assets and to carry on its business as presently conducted.

7.2 **Authorization and Effect of Agreement**. Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and the Collateral Agreements and to perform the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and the Collateral Agreements and the performance by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Purchaser, and do not and will not require any consent or approval of any Governmental Authority or any other Person. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding agreement of Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity. Each of the Collateral Agreements, when executed and delivered by Purchaser at the Closing, will constitute a valid and binding agreement of Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity.

7.3 **No Conflicts**. The execution and delivery of this Agreement and the Collateral Agreements by Purchaser does not, and the performance by Purchaser of the transactions contemplated by this Agreement and the Collateral Agreements will not, conflict with, or result in any violation of, or constitute a default under (a) any provision of the Certificate of Incorporation or Bylaws of Purchaser, (b) any of the terms, conditions, or provisions of any Contract by which Purchaser is bound, or (c) any Law or Order applicable to or binding on Purchaser. No Consent is required to be obtained, made or given (whether pursuant to applicable

Law, Contract or otherwise) in connection with the execution and delivery of this Agreement or any of the Collateral Agreements by Purchaser or the performance by Purchaser of the transactions contemplated hereby or thereby.

7.4 **Litigation**. There are no judicial or administrative actions, proceedings or investigations pending or, to Purchaser's knowledge, threatened that question the validity of this Agreement or any action taken or to be taken by Purchaser in connection with this Agreement.

7.5 **Condition of Transferred Assets**. Purchaser and its representatives and agents have had and exercised, prior to the date hereof, the right to make all inspections and investigations of the Business and the Transferred Assets deemed necessary or desirable by Purchaser. In light of these inspections and investigations and the representations and warranties made to Purchaser by Seller in Article 6 hereof, Purchaser is relinquishing any right to any claim based on any representations and warranties other than those specifically included in Article 6 hereof and in the Collateral Agreements. ALL OTHER WARRANTIES OF MERCHANTABILITY, INFRINGEMENT AND FITNESS FOR ANY PARTICULAR PURPOSE, AND ALL OTHER WARRANTIES ARISING UNDER THE UNIFORM COMMERCIAL CODE (OR SIMILAR FOREIGN LAWS), ARE HEREBY WAIVED BY PURCHASER. PURCHASER FURTHER REPRESENTS THAT NEITHER SELLER NOR ANY OTHER PERSON HAS MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION REGARDING ANY OF SELLER, THE BUSINESS, THE TRANSFERRED ASSETS OR THE ASSUMED LIABILITIES NOT EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN THE COLLATERAL AGREEMENTS, AND NEITHER SELLER NOR ANY OTHER PERSON WILL HAVE OR BE SUBJECT TO ANY LIABILITY TO PURCHASER OR ANY OTHER PERSON RESULTING FROM THE DISTRIBUTION TO PURCHASER OR ITS REPRESENTATIVES OR PURCHASER'S USE OF, ANY SUCH INFORMATION RELATING TO THE BUSINESS, ANY OFFERING MEMORANDUM OR OTHER PUBLICATION PROVIDED TO PURCHASER OR ITS REPRESENTATIVES, OR ANY OTHER DOCUMENT OR INFORMATION PROVIDED TO PURCHASER OR ITS REPRESENTATIVES IN CONNECTION WITH THE SALE OF THE BUSINESS. SUBJECT TO THE REPRESENTATIONS AND WARRANTIES OF SELLER CONTAINED HEREIN AND IN THE COLLATERAL AGREEMENTS, (I) PURCHASER IS ASSUMING ALL LIABILITIES AND OBLIGATIONS WITH RESPECT TO THE CONDITION OF THE TRANSFERRED ASSETS, AND (II) PURCHASER IS ACKNOWLEDGING THAT IT IS BUYING THE TRANSFERRED ASSETS ON AN "AS IS, WHERE IS" BASIS "WITH ALL FAULTS" AND THAT SELLER IS NOT MAKING ANY FURTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, RESPECTING THE TRANSFERRED ASSETS. PURCHASER ACKNOWLEDGES THAT ANY FINANCIAL PROJECTIONS PROVIDED BY SELLER ARE FOR ILLUSTRATIVE PURPOSES ONLY AND DO NOT FORM THE BASIS FOR ANY LIABILITY.

7.6 **Brokers**. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

ARTICLE 8

COVENANTS

8.1 **Employees**. Purchaser shall have the right, but shall be under no obligation, either prior to or after the Closing, to make offers of employment (to be effective at or following the Closing) to such current employees of the Business as it shall designate in its sole discretion. Any such offer made prior to the Closing may be conditioned upon the consummation of the transactions contemplated hereby at the Closing. All obligations of Seller to all employees of the Business through the Closing, including, without limitation, obligations for salary, sales commissions, bonus compensation, payroll taxes, fringe benefits and severance pay, are and shall remain, the sole obligations of Seller. All employment arrangements between Purchaser and any such employees that may be hired by Purchaser will be negotiated directly between Purchaser and such employees.

8.2 **Accounts Receivable.** Purchaser shall promptly remit to Seller any payments received by Purchaser following the Closing Date with respect to any accounts receivable of Seller accrued as of the Closing Date. Seller shall promptly remit to Purchaser any payments received by Seller following the Closing Date with respect to any accounts receivable of the Business accruing from and after the Closing Date.

8.3 **Covenant Not to Compete**.

(a) **Ownership of Competing Business Interests.** Seller, for itself and on behalf of Parent and SCK, agrees that prior to the fifth anniversary of the Closing Date, none of them will, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in the sale of Competing Products, provided, however, that nothing herein shall preclude Seller, Parent or SCK from (i) owning a non-controlling equity interest in any publicly traded company listed on a stock exchange, or (ii) investing in ventures, partnerships or other entities that do not constitute affiliates (as such term is defined in the Securities Exchange Act of 1934, as amended) of Seller or any of its Affiliates.

(b) **Manufacture and Sale of Competing Products**. Seller, for itself and on behalf of Parent and SCK, further agrees that prior to the fifth anniversary of the Closing Date, Seller, Parent and SCK shall not make, have made, sell, offer to sell, import or otherwise distribute any Competing Products; provided, however, that nothing herein shall preclude Seller, Parent or SCK from making (or having made), using, purchasing, selling, importing or otherwise distributing a Competing Product, to the extent that such Competing Product is incorporated into any of such party's or its Affiliates' end products.

(c) **Nonsolicitation of Employees**. Seller, for itself and on behalf of Parent and SCK, agrees that during the period in which they are bound by the covenants contained in Sections 8.3(a) and 8.3(b), none of them will, directly or indirectly, specifically target, solicit or induce any employee of Purchaser (i) to discontinue his or her relationship with Purchaser or (ii) to accept employment by, or enter into a business relationship with Seller or any of its Affiliates; provided, however, that Seller, Parent and SCK shall not be prohibited from

(A) soliciting by means of general advertisement or third party agent (it being permissible for third party agents to solicit Purchaser's employees as long as Seller, Parent and/or SCK do not direct such third party agents to solicit Purchaser's employees) or (B) soliciting or hiring individuals who initiate contact with Sony, Parent or SCK regarding potential employment.

8.4 **Confidentiality**.

(a) **Seller's Obligations.** Seller agrees that from and after the Closing, Seller will not, directly or indirectly, disclose, reveal, divulge or communicate to any person or entity other than authorized officers, directors and employees of Purchaser, or use or otherwise exploit for its own benefit or for the benefit of anyone other than Purchaser, any Confidential Information (as defined below). Seller shall not have any obligation to keep confidential any Confidential Information if and to the extent disclosure thereof is required by Law or in the enforcement of its rights hereunder; provided, however, that in the event disclosure is required by applicable Law, Seller shall, to the extent reasonably possible, provide Purchaser with prompt notice of such requirement prior to making any disclosure so that Purchaser may seek an appropriate protective order. For purposes of this Section 8.4, "Confidential Information" shall mean any confidential information with respect to the conduct or details of the Business, including, without limitation, methods of operation, products, proposed products, former products, prices, fees, costs, plans, designs, technology, inventions, trade secrets, know-how, software, marketing methods, policies, plans, or other specialized information or proprietary matters. The term Confidential Information does not include, and there shall be no obligation hereunder with respect to, information that (a) is generally available to the public on the date of this Agreement, (b) becomes generally available to the public other than as a result of a disclosure by Seller not otherwise permissible thereunder, (c) is independently developed by Seller as established by documentary evidence, (d) Seller learns from other sources where such sources have not, to Seller's Knowledge, violated their confidentiality obligation to Purchaser, or (e) Seller or its Affiliates use in other lines of business.

(b) **Purchaser's Obligations**. Purchaser shall be bound to the same extent as Seller to the confidentiality agreements listed on Schedule 8.4, provided, and to the extent, that such agreements or other documents provided to Purchaser by Seller clearly identify the confidential information subject to such agreements. If requested by the other party or parties to any such agreement, Purchaser shall sign a counterpart to such confidentiality agreement confirming its agreement to be so bound.

8.5 **Specific Performance: Reformation**. The parties hereto specifically acknowledge and agree that the remedy at law for any breach of Sections 8.3 or 8.4 may be inadequate and that Purchaser, in addition to any other relief available to it, shall be entitled to seek temporary and permanent injunctive relief without the necessity of proving actual damage or posting any bond whatsoever. In the event that the provisions of Sections 8.3 or 8.4 should ever be deemed to exceed the limitations provided by applicable Law, then the parties hereto agree that such provisions shall be reformed to set forth the maximum limitations permitted.

8.6 **Warranty Support.** Purchaser will make available for sale to Seller SRAM Products for a period of one year following the Closing Date in order for Seller to satisfy, in its good faith determination, Seller's warranty obligations for SRAM Products distributed prior to

the Closing Date. Purchaser shall sell such SRAM Products to Seller for such purpose at Purchaser's then current manufacturing cost. Delivery of such products shall be pursuant to Seller's standard purchase order terms and conditions.

8.7 **Publicity**. Neither party will issue or cause the publication of any press release or other public announcement with respect to this Agreement or the transactions contemplated hereby without the prior consent of the other party; provided, however, that nothing herein will prohibit either party from issuing or causing publication to the extent that such party determines, on advice of counsel, that such publication is required by Law or the rules of any national stock exchange applicable to it, in which event the party making such determination will use reasonable efforts to allow the other party reasonable time to comment on such release or announcement, and will make all revisions thereto reasonably requested by such other party, in advance of its issuance.

8.8 **Maintenance of Books and Records**. Each of Seller and Purchaser shall preserve until the second anniversary of the Closing Date all electronic records (excluding emails) possessed by such party directly relating to the assets, liabilities or operations of the Business prior to the Closing Date. After the Closing Date, where there is a legitimate purpose, such party shall provide the other party with access, upon prior reasonable written request

specifying the need therefor, during regular business hours, to (i) the relevant officers and employees of such party and (ii) the books of account and records of such party, but, in each case, only to the extent relating to the assets, liabilities and operations of the Business prior to the Closing Date, and the other party and its representatives shall have the right to make copies of such books and records; provided, however, that the foregoing right of access shall not be exercisable in such a manner as to interfere unreasonably with the normal operations and business of such party; and further provided that, as to so much of such information as constitutes trade secrets or confidential business information of such party, the requesting party and its representatives will use due care to not disclose such information except (i) as required by Law, (ii) with the prior written consent of such party, which consent shall not be unreasonably withheld, or (iii) where such information becomes available to the public generally, or becomes generally known to competitors of such party, through sources other than the requesting party and its representatives. Such records may nevertheless be destroyed by a party if such party sends the other party written notice of its intent to destroy records, specifying with particularity the contents of the records to be destroyed. Such records may then be destroyed after the 30th day following delivery of such notice unless the other party objects to the destruction, in which case the party seeking to destroy the records shall either agree to retain such records or to deliver such records to the objecting party.

8.9 **Bulk Transfer Laws**. Purchaser acknowledges that Seller has not taken, and does not intend to take, any action required to comply with any applicable bulk sale or bulk transfer laws or similar laws.

8.10 **Insurance**. Prior to and following the Closing, the coverage under all insurance policies of Seller and its Affiliates related to the Business shall continue in force only for the benefit of Seller and its Affiliates and not for the benefit of Purchaser. Purchaser agrees to arrange for its own insurance policies with respect to the Business covering all periods following the Closing and agrees not to seek, through any means, to benefit from any of Seller’s or its

Affiliates’ insurance policies which may provide coverage for claims relating in any way to the Business.

8.11 **Customer Support.** Purchaser will assume front line customer support functions with respect to the Business on and after the Closing Date. Purchaser will respond to initial customer support inquiries, including inquiries related to SRAM Products sold by Seller prior to the Closing. Purchaser will perform the initial response functions listed on Schedule 8.11 with respect to such SRAM Products within the times noted thereon. Seller shall reimburse Purchaser for the cost of such services in the amounts set forth on Schedule 8.11. Any additional customer service support to be provided by Purchaser with respect to SRAM Products sold prior to the Closing will be subject to further agreement between the parties.

8.12 **Taking of Necessary Action; Further Action.** If, at any time after the Closing Date, any further action is necessary to carry out the purposes of this Agreement and to vest Purchaser with full right, title and possession to the Transferred Assets, Seller will take, and cause its Affiliates to take, all such lawful and necessary action. Neither Purchaser nor Seller shall take any action that is materially inconsistent with its obligations under this Agreement.

8.13 **Continued CIS-SRAM Operations.** Purchaser acknowledges that a material inducement for Seller to enter into this Agreement is Purchaser’s good faith commitment to support the manufacture, sale and distribution of CIS-SRAMs, without which Seller would not have entered into this Agreement. Purchaser further acknowledges that it is Purchaser’s current intention, following the Closing, to continue to actively support the development, manufacture and sale of CIS-SRAMs to the mutual financial advantage of both Purchaser and Seller. To that end, Purchaser covenants that during the two-year period in which Contingent Payments may be payable, Purchaser will not develop a product that directly competes with CIS-SRAM; provided, however, that Purchaser shall be relieved from such obligation in the event that any viable claim of infringement is asserted against Purchaser by a third party or Purchaser encounters a material technical problem which, in either case, Purchaser reasonably determines would materially affect its ability to manufacture, sell or distribute CIS-SRAMs but would not so affect such competitive product. Seller acknowledges, however, that the SRAM industry is characterized by rapidly changing technologies, evolving industry standards and frequent new product introductions and that Purchaser must be able to react, on a timely and cost-effective basis, to meet changing customer requirements. Accordingly, Seller acknowledges that, except as specifically provided in this Section 8.13, Purchaser’s obligation to make Contingent Payments shall not in any way affect Purchaser’s right to exercise management control over all aspects of its business. Without limiting the generality of the foregoing, Purchaser shall not be required to: (i) continue to manufacture or sell CIS-SRAMs for any period of time following the Closing; (ii) devote more resources to the sale of CIS-SRAMs than is, in the opinion of Purchaser’s management, prudent in the context of Purchaser’s overall business; or (iii) seek to maximize CIS-SRAM Revenues where to do so, in the opinion of Purchaser’s management, would have an adverse effect on Purchaser’s profitability or on the sale of Purchaser’s other products.

8.14 **Reseller Agreement.** Notwithstanding any rights conferred on Purchaser in this Agreement or the IP Agreement to the contrary, if any finished SRAM Products delivered by Seller to Purchaser, and bearing the Sony logo on the exterior packaging, have not been sold by

Purchaser to an unaffiliated third party by the 180th day following the Closing Date, any sales of such SRAM Products made by Purchaser thereafter shall be subject to the Reseller Agreement.

8.15 **Financial Statements.**

(a) On or before the 65th day after the Closing Date, Seller shall, to the extent required by the SEC, deliver to Purchaser, financial statements of the Business to support Purchaser’s SEC Form 8-K filing consistent with SEC requirements. Such financial statements shall be in the form required by Regulation S-X, subject to such modifications as the SEC may permit, and audited by registered independent public accountants (collectively, the “Audited Financial Statements”). Seller shall bear all of its internal costs related to the preparation of the Audited Financial Statements. Seller and Purchaser shall share equally in (i) the fees and expenses of Seller’s registered independent public accountants incurred in connection with their services related to the Audited Financial Statements and (ii) the reasonable fees and expenses of Seller’s outside counsel incurred in connection with the preparation of the Audited Financial Statements and approved in advance by Purchaser (which approval shall not be unreasonably withheld).

(b) In addition, Seller shall, to the extent required by the SEC, deliver to Purchaser any unaudited interim financial information of the Business required by the SEC in connection with Purchaser's SEC reporting obligations. Such interim financial information shall be in the form required by Regulation S-X, subject to such modifications as the SEC may permit. Seller shall bear all of its internal costs related to the preparation of such interim financial statements. Seller and Purchaser shall share equally in (i) the fees and expenses of Seller's registered independent public accountants in connection with their services related to such interim financial information and (ii) the reasonable fees and expenses of Seller's outside counsel incurred in connection with the preparation of such interim financial information and approved in advance by Purchaser (which approval shall not be unreasonably withheld).

ARTICLE 9

SURVIVAL AND INDEMNIFICATION

9.1 **Survival of Representations, Warranties and Covenants**

(a) The representations and warranties of Seller and Purchaser contained in this Agreement shall survive the Closing until the expiration of two years from the Closing Date. No claims for Losses based on such representations and warranties may be asserted following the expiration of such period. The covenants contained in this Agreement shall survive until they terminate pursuant to their terms.

(b) No party hereto shall be deemed to have breached any representation, warranty, or covenant contained herein if (i) the other party was aware prior to the execution and delivery of this Agreement of the breach of, or inaccuracy in, or of any facts or circumstances constituting or resulting in the breach of, or inaccuracy in, such representation, warranty or covenant, or (ii) such party shall have notified the other party hereto in writing, on or prior to the Closing Date, of the breach of, or inaccuracy in, or of any facts or circumstances constituting or

resulting in the breach of or inaccuracy in, such representation, warranty or covenant, and such other party has permitted the Closing to occur.

9.2 **Indemnification**.

(a) From and after the Closing Date and subject to Sections 9.1 and 9.4, Seller agrees to indemnify and hold harmless Purchaser against and in respect of any and all losses, claims, damages, liabilities, reasonable costs and expenses, including reasonable legal fees and expenses ("Losses"), resulting or arising from or otherwise relating to (i) any breaches of the representations and warranties of Seller or its Affiliates set forth in this Agreement or any of the Collateral Agreements, (ii) any nonfulfillment of or material failure to comply with any covenant of Seller or its Affiliates set forth in this Agreement or any of the Collateral Agreements, or (iii) any Retained Liability.

(b) From and after the Closing Date and subject to Sections 9.1 and 9.4, Purchaser agrees to indemnify and hold harmless Seller against and in respect of any and all Losses resulting or arising from or otherwise relating to (i) any breaches of Purchaser's representations and warranties set forth in this Agreement, (ii) any nonfulfillment of or material failure to comply with any covenant set forth in this Agreement by Purchaser, (iii) the operation of the Business or the Transferred Assets or actions taken by or on behalf of Purchaser after the Closing, or (iv) any Assumed Liability.

9.3 **Method of Asserting Claims, etc**. All claims for indemnification by any Indemnified Party hereunder shall be asserted and resolved as set forth in this Section 9.3. In the event that any written claim or demand for which an Indemnifying Party would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly, but in no event more than 30 days following such Indemnified Party's receipt of such claim or demand, notify the Indemnifying Party of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand) (the "Claim Notice"). The Indemnifying Party shall have 30 days from the delivery of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not it desires to defend (or permit any of its predecessors (a "Permitted Designee") to defend) the Indemnified Party against such claim or demand. An election to assume the defense of such claim or demand shall not be deemed to be an admission that the Indemnifying Party is liable to the Indemnified Party in respect of such claim or demand. All costs and expenses incurred by the Indemnifying Party in defending such claim or demand shall be a liability of, and shall be paid by, the Indemnifying Party; provided, however, that the amount of such expenses shall be a liability of the Indemnifying Party hereunder, subject to the limitations set forth in this Article 9. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold the Indemnified Party harmless from and against any third party claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including, without limitation, attorney's fees and court costs) incurred by the Indemnifying Party in its defense of the third party claim. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend or permit a Permitted Designee to defend, the Indemnified Party against such claim or demand, except as hereinafter provided, the Indemnifying Party shall have the right to defend the Indemnified Party by

appropriate proceedings. If any Indemnified Party desires to participate in any such defense or settlement for which the Indemnifying Party has elected, pursuant to the prior sentence to defend, or permit its Permitted Designee to defend, the Indemnified Party may do so at its sole cost and expense. The Indemnified Party shall not settle a claim or demand without the consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or any Subsidiary or Affiliate thereof. If the Indemnifying Party elects not to defend the Indemnified Party against a claim or demand for which the Indemnifying Party has an indemnification obligation hereunder, whether by not giving the Indemnified Party timely notice as provided above or otherwise, then the amount of any such claim or demand, or, if the same shall be contested by the Indemnified Party, then that portion thereof as to which such contest is unsuccessful (and the reasonable costs and expenses pertaining to such contest) shall

be the liability of the Indemnifying Party hereunder, subject to the limitations set forth in this Article 9. To the extent the Indemnifying Party shall control or participate in the defense or settlement of any third party claim or demand, the Indemnified Party will give the Indemnifying Party, its counsel and any Permitted Designee (with respect to any liability for which the Indemnifying Party may have an indemnity claim pursuant to any agreement it had made with such Permitted Designee as in effect as of the date hereof), access to, during normal business hours, the property and relevant business records and other documents, and shall permit them to consult with the employees and counsel of the Indemnified Party. The Indemnified Party shall use its best efforts in the defense of all such claims. Any notice of a claim by reason of any of the representations, warranties or covenants contained in this Agreement shall state specifically the representation, warranty, or covenant with respect to which the claim is made, the facts giving rise to an alleged basis for the claim, and the amount of the liability asserted against the Indemnifying Party by reason of the claim.

9.4 **Indemnification Amounts**. No Indemnifying Party shall have liability under Sections 9.2(a) or 9.2(b) until the aggregate amount of Losses to such Indemnified Party exceeds $200,000 (the "Basket Amount"), in which case the Indemnified Party shall be entitled to recover Losses in an amount up to 20% of the aggregate amount of the Closing Payment plus the Inventory Adjustment Payment; provided, however, that the Indemnifying Party shall be liable only for the amount by which all Losses exceed the Basket Amount; and provided, further, that no individual claim for payment of a Loss may be made under Sections 9.2(a)(i)-(ii) or 9.2(b)(i)-(ii) unless such claim is an amount of $75,000 or greater. Nothing contained in this Section 9.4 shall apply to limit in any way the amount that Purchaser owes to Seller under Article 4 or that either party may recover against the other under Article 4.

9.5 **Losses Net of Insurance, Etc**. The amount of any Loss for which indemnification is provided under Section 9.2 shall be net of (i) any amounts recovered by the Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party, (ii) any insurance proceeds or other cash receipts or sources of reimbursement received as an offset against such Loss (each source named in clauses (i) and (ii), a "Collateral Source") and (iii) an amount equal to the present value of the Tax benefit, if any, available to or taken by the Indemnified Party attributable to such Loss. Indemnification under this Article 9 shall not be available to Seller or Purchaser, as the case may be, unless the party seeking

indemnification under this Article 9 first uses all reasonable efforts to seek recovery from all Collateral Sources. The parties acknowledge and agree that no right of subrogation shall accrue or inure to the benefit of any Collateral Source hereunder. The Indemnifying Party may require an Indemnified Party to assign the rights to seek recovery pursuant to the preceding sentence; provided, however, that the Indemnifying Party will then be responsible for pursuing such recovery at its own expense. If the amount to be netted hereunder from any payment required under Section 9.2 is determined after payment by the Indemnifying Party of any amount otherwise required to be paid to an Indemnified Party pursuant to this Article 9, the Indemnified Party shall repay to the Indemnifying Party, promptly after such determination, any amount that the Indemnifying Party would not have had to pay pursuant to this Article 9 had such determination been made at the time of such payment.

9.6 **Sole Remedy/Waiver**. To the extent permitted by Law, the indemnity provisions of this Article 9 shall be the sole and exclusive remedy of the parties with respect to claims arising under or related to this Agreement and the Collateral Agreements that are asserted subsequent to the Closing; provided, however, that nothing contained in this Article 9 shall: (i) prohibit any party from seeking an injunction or any other equitable remedy in respect thereof or (ii) limit in any manner any remedy at law or in equity to which an Indemnified Party shall be entitled against an Indemnifying Party as a result of willful fraud or intentional misrepresentation by the Indemnifying Party or any of its employees, representatives or agents.

9.7 **No Consequential Damages**. Notwithstanding anything to the contrary contained herein, no Indemnifying Party shall be liable to or otherwise responsible to any Indemnified Party for consequential, incidental or punitive damages, for lost profits or for diminution in value which arise out of or relate to this Agreement or the performance or breach thereof or any liability retained or assumed hereunder.

9.8 **Mitigation of Damages**. The Indemnified Party shall take all reasonable steps to mitigate any Loss upon becoming aware of any event that would reasonably be expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach or other occurrence which gives rise to the Loss.

9.9 **No Set-Off**. Neither Seller nor Purchaser shall have any right to set-off any Losses against any payments to be made by either of them pursuant to this Agreement or otherwise.

ARTICLE 10

MISCELLANEOUS PROVISIONS

10.1 **Notices**. All notices and other communications required or permitted hereunder will be in writing and, unless otherwise provided in this Agreement, will be deemed to have been duly given when delivered in person or when dispatched by electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched) or one business day after having been dispatched by a nationally recognized overnight courier service to the appropriate party at the address specified below:

(a) If to Purchaser, to:

GSI Technology, Inc.
2360 Owen Street
Santa Clara, CA 95054
Attention: Chief Financial Officer
Facsimile No.: (408) 980-8377

with a copy (which will not constitute notice) to :

DLA Piper LLP (US)
2000 University Avenue
East Palo Alto, CA 94303-2215
Attention: Dennis C. Sullivan
Facsimile No.: (650) 867-1200

(b) If to Seller, to:

Sony Electronics Inc.
1730 N. First Street
San Jose, CA 95112
Attention: Law Department
Facsimile No.: (408) 352-4169

with a copy (which will not constitute notice) to :

Sony Electronics Inc.
16530 Via Esprillo, MZ7300
San Diego, CA 92127
Attention: General Counsel
Facsimile No.: (858) 942-8170

or to such other address or addresses as any such party may from time to time designate as to itself by like notice.

10.2 **Expenses**. Except as otherwise expressly provided herein, each party hereto will pay any expenses incurred by it incident to this Agreement, and in preparing to consummate and consummating the transactions provided for herein.

10.3 **Successors and Assigns**. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but will not be assignable or delegable by any party without the prior written consent of the other party. Notwithstanding the foregoing, a party may transfer or assign its rights under this Agreement in connection with a merger, acquisition or sale of all or substantially all of its assets, on condition that it provides the other party with notice of the transfer or assignment. Any attempted transfer in contravention of this Section 10.3 shall be null and void.

10.4 **Waiver**. Purchaser may, by written notice to Seller, and Seller may, by written notice to Purchaser, (a) extend the time for performance of any of the obligations of the other party under this Agreement, (b) waive any inaccuracies in the representations or warranties of the other party contained in this Agreement, (c) waive compliance with any of the conditions or covenants of the other party contained in this Agreement, or (d) waive or modify performance of any of the obligations of the other party under this Agreement; provided, however, that no such party may, without the prior written consent of the other party, make or grant such extension of time, waiver of inaccuracies or compliance or waiver or modification of performance with respect to its representations, warranties, conditions or covenants hereunder. Except as provided in the immediately preceding sentence, no action taken pursuant to this Agreement will be deemed to constitute a waiver of compliance with any representations, warranties, conditions or covenants contained in this Agreement and will not operate or be construed as a waiver of any subsequent breach, whether of a similar or dissimilar nature.

10.5 **Entire Agreement**. This Agreement, the Collateral Agreements and the LOI Amendment, including all schedules and exhibits hereto and thereto, supersede any other agreement, whether written or oral, that may have been made or entered into by any party relating to the matters contemplated hereby and constitutes the entire agreement by and among the parties hereto. That certain confidentiality agreement dated as of April 6, 2009 and that certain confidentiality agreement dated September 13, 2006, each entered into between the parties, shall be deemed terminated as of the Closing, with both Seller and Purchaser waiving and releasing any and all rights, claims (known and unknown) or interests such party may have had arising under or related to those agreements prior to the Closing Date.

10.6 **Amendments, Supplements, Etc**. This Agreement may be amended or supplemented at any time by additional written agreements as may mutually be determined by Purchaser and Seller to be necessary, desirable or expedient to further the purposes of this Agreement or to clarify the intention of the parties.

10.7 **Rights of Third Parties**. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any Person other than the parties hereto any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

10.8 **Further Assurances**. From time to time, as and when requested by any party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments, make such other deliveries and take such other actions as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

10.9 **Applicable Law**. This Agreement and the legal relations among the parties hereto will be governed by and construed in accordance with the rules and substantive Laws of the State of California, United States of America, without regard to conflicts of law provisions thereof.

10.10 **Execution in Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement.

10.11 **Titles and Headings**. Titles and headings to Sections herein are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

10.12 **Invalid Provisions**. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future Law, and if the rights or obligations under this Agreement of Seller on the one hand and Purchaser on the other hand will not be materially and adversely affected thereby, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement; and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

10.13 **Bulk Sales**. Purchaser waives compliance by Seller with the provisions of the so-called bulk sales Law of any applicable jurisdiction.

10.14 **Transfers**. Purchaser and Seller will cooperate and take such action as may be reasonably requested by the other in order to effect an orderly transfer of the Transferred Assets with a minimum of disruption to the operations and employees of the businesses of Purchaser and Seller.

10.15 **Transfer Taxes**. All sales, use, transfer, stamp, conveyance, value added or other similar taxes, duties, excises or governmental charges imposed by any taxing jurisdiction, domestic or foreign, and all recording or filing fees, notarial fees or other similar costs of Closing with respect to the transfer of the Transferred Assets or otherwise on account of this Agreement or the transactions contemplated hereby will be borne by Purchaser.

10.16 **Brokers**. Purchaser hereby agrees to indemnify and hold harmless Seller, and Seller hereby agrees to indemnify and hold harmless Purchaser, against any liability, claim, loss, damage or expense incurred by Seller or Purchaser, respectively, relating to any fees or commissions owed to any broker, finder or financial advisor as a result of actions taken by Purchaser or Seller, respectively.

10.17 **Attorneys' Fees**. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to recover in such action its reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which it may be entitled.

[Remainder of this Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Sony Electronics Inc.

By: /s/ Tomoya Hayakawa

Name: Tomoya Hayakawa

Title: President of CSBD

GSI Technology, Inc.

By: /s/ Lee-Lean Shu

Name: Lee-Lean Shu

Title: President & CEO

EXHIBIT A

DEFINITIONS

"Accounts Payable" shall mean all trade accounts payable and all evidences of indebtedness arising out of purchases of inventory and other property, assets or services by any Person.

“Affiliate” shall mean with respect to any Person, any other person who, directly or indirectly, controls, is controlled by, or is under common control with that Person.

“Agreement” shall have the meaning ascribed to such term in the preamble to this Agreement.

“Allocation Statement” shall have the meaning ascribed to such term in Section 4.6 of this Agreement.

“Assignments of Contracts” shall have the meaning ascribed to such term in Section 5.2(a)(ii) of this Agreement.

“Assumed Liabilities” shall have the meaning ascribed to such term in Section 3.1 of this Agreement.

“Audited Financial Statements” shall have the meaning ascribed to such term in Section 8.15 of this Agreement.

“Basket Amount” shall have the meaning ascribed to such term in Section 9.4 of this Agreement.

“Bill of Sale” shall have the meaning ascribed to such term in Section 5.2(a)(i) of this Agreement.

“Business” shall have the meaning ascribed to such term in the recitals to this Agreement.

“Business Day” shall mean any day except Saturday, Sunday or any Japanese, U.S. federal or California state holiday.

“Cash Equivalents” shall mean checks, money orders, marketable or other securities, short-term instruments and other cash equivalents, prepaid deposits, demand deposits or similar accounts, and any evidence of indebtedness issued or guaranteed by any United States Governmental Authority.

“CIS-SRAM” shall mean Seller’s CIS-SRAM memory products (also referred to by Seller’s principal customer as CSRAM products), but specifically excluding Sellers Cache SRAM products.

“CIS-SRAM Revenues” shall have the meaning ascribed to such term in Section 4.4(a) of this Agreement.

“Claim Notice” shall have the meaning ascribed to such term in Section 9.3 of this Agreement.

“Closing” shall have the meaning ascribed to such term in Section 5.1 of this Agreement.

“Closing Date” shall have the meaning ascribed to such term in Section 5.1 of this Agreement.

“Closing Payment” shall have the meaning ascribed to such term in Section 4.2(a) of this Agreement.

“Closing SRAM Inventory Schedule” shall have the meaning ascribed to such term in Section 4.3 of this Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Collateral Agreements” shall have the meaning ascribed to such term in Section 5.2(c) of this Agreement.

“Collateral Source” shall have the meaning ascribed to such term in Section 9.5 of this Agreement.

“Competing Products” shall mean any SRAM product in discrete or component form. For avoidance of doubt, Competing Products does not include any large-scale integration with memory, memory with CPU, or system-in-package products (including those with embedded SRAM on chip).

“Confidential Information” shall have the meaning ascribed to such term in Section 8.4(a) of this Agreement.

“Consent” shall mean any consent, approval or authorization of, notice to, or designation, registration, declaration or filing with, any Person.

“Contingent Payments” shall have the meaning ascribed to such term in Section 4.4(a) of this Agreement.

“Contract” shall mean any agreement, contract, lease, commitment, license, undertaking or other legally binding contractual right or obligation to which a Person is a party or by which a Person or its assets or properties are bound.

“Current Products” shall mean Seller’s SigmaRAM, CIS-SRAM and 36M SigmaQuad SRAM memory products.

“Effective Date” shall mean the latest date on which an authorized representative of one of the parties signs the Agreement.

“Excluded Assets” shall have the meaning ascribed to such term in Section 2.2(a) of this Agreement.

“GAAP” shall mean United States generally accepted accounting policies, consistently applied.

"Governmental Authority" shall mean any federal, state, local or foreign government or any subdivision, agency, instrumentality, authority, department, commission, board or bureau thereof or any federal state, local or foreign court, tribunal or arbitrator.

"Gross Revenues" shall mean gross revenues as recognized by Purchaser in accordance with GAAP and Purchaser's general revenue recognition policies, consistently applied.

"Indemnifying Party" shall mean any party required to indemnify another party pursuant to Article 9 hereof.

"Indemnified Party" shall mean any party entitled to indemnification pursuant to Article 9 hereof.

"Intellectual Property" shall mean any or all of the following and all rights in, arising out of, or associated therewith: (i) all United States and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof, and equivalent or similar rights anywhere in the world in inventions and discoveries ("Patents"); (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, and all documentation embodying or evidencing any of the foregoing; (iii) all copyrights, copyrights registrations and applications therefor and all other rights corresponding thereto throughout the world ("Copyrights"); (iv) all mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology ("Mask Works"); (v) all industrial designs and any registrations and applications therefor throughout the world; (vi) all databases and data collections and all rights therein throughout the world; and (vii) all computer software including all source code, object code, firmware, development tools, files, records and data, all media on which any of the foregoing is recorded; and (viii) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

"Inventory Adjustment Payment" shall have the meaning ascribed to such term in Section 4.3 of this Agreement.

"IP Agreement" shall have the meaning ascribed to such term in Section 5.2(a)(iii) of this Agreement.

"JTAG" shall mean the electronic code embedded on SRAM Products that indicate the identity of the manufacturer.

"Key SRAM Contracts" shall have the meaning ascribed to such term in Section 5.3(e) of this Agreement.

"Knowledge of Seller" (or, for purposes of the IP Agreement, "Knowledge of SONY") shall mean the current, actual knowledge, after reasonable inquiry, of any of the following officers, directors or employees of Seller and Parent: General Manager, Memory Department,

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LSI Business Division, Semiconductor Business Group of Parent; Strategic Alliance Manager, Business Strategy Department, Planning & Control Division, Semiconductor Business Group of Parent; President, Product, Memory Department, Component Solutions Business Division of Seller; Vice President, Memory Department, Component Solutions Business Division of Seller; Vice President, Corporate Development of Seller; Vice President, Intellectual Property of Sony Corporation of America; and Senior Managing Counsel of SEL.

"Laws" shall mean all federal, state, local or foreign laws, ordinances, rules and regulations.

"Letter of Intent" shall have the meaning ascribed to such term in Section 5.2(a)(iv) of this Agreement.

"Liabilities" shall mean any and all debts, liabilities and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable.

"Liens" shall mean all title defects or objections, mortgages, liens, claims, charges, pledges or other encumbrances of any nature whatsoever, whether accrued, absolute, contingent or otherwise, including without limitation licenses, leases, chattel or other mortgages, collateral security arrangements, pledges, title imperfections, defect or objection liens, security interests, conditional and installment sales agreements, easements, encroachments or restrictions, of any kind and other title or interest retention arrangements, reservations or limitations of any nature.

"LOI Amendment" shall have the meaning ascribed to such term in Section 5.2(a)(iv) of this Agreement.

"Loss" or "Losses" shall have the meaning ascribed to such term in Section 9.2(a) of this Agreement.

"Net Revenues" shall mean net revenues as recognized by Purchaser in accordance with GAAP and Purchaser's general revenue recognition policies, consistently applied.

"New Product" shall mean Seller's 65nm 72M SQ memory products (including the products designated 260L IIIe/IIe and 165L II+/II) currently being developed.

"Non-Assignable Contract" shall have the meaning ascribed to such term in Section 2.3 of this Agreement.

"Notice Period" shall have the meaning ascribed to such term in Section 9.3 of this Agreement.

"Order" shall mean any judgment, award, order, writ, injunction or decree issued by any Governmental Authority.

"Parent" shall mean Sony Corporation.

"Person" shall mean any individual, partnership, joint venture, corporation, trust, unincorporated organization, Governmental Authority or other entity.

"Permitted Designee" shall have the meaning ascribed to such term in Section 9.3 of this Agreement.

"Purchase Price" shall have the meaning ascribed to such term in Section 4.1 of this Agreement.

"Purchaser" shall have the meaning ascribed to such term in the preamble to this Agreement.

"Reseller Agreement" shall have the meaning ascribed to such term in Section 5.2(a)(v) of this Agreement.

"Retained Liabilities" shall have the meaning ascribed to such term in Section 3.2 of this Agreement.

"SCK" shall mean Sony Semiconductor Kyushu Corporation.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Seller" shall have the meaning ascribed to such term in the preamble to this Agreement.

"SRAM" shall mean static random access memory.

"SRAM Contracts" shall have the meaning ascribed to such term in Section 2.1(e) of this Agreement.

"SRAM Intellectual Property" shall mean all Intellectual Property as can be documented as being in existence on or before the Closing, only to the extent that any SRAM Product incorporates, is based on or infringes such Intellectual Property.

"SRAM Products" shall mean Current Products together with the New Product.

"SRAM Product Inventory" shall have the meaning ascribed to such term in Section 2.1(b) of this Agreement.

"SRAM Purchase Orders" shall have the meaning ascribed to such term in Section 2.1(d) of this Agreement.

"Tax" or, collectively, "Taxes," shall mean (i) any and all federal, state, province, local and foreign taxes, assessments and other governmental charges, duties, impositions and liabilities, wherever imposed, including, without limitation, taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, goods and services, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts; (ii) any liability for the payment of any amounts of the type described in clause (i) as a

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result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iii) any liability for the payment of any amounts of the type described in clause (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity.

"Tax Return" or "Tax Returns" shall mean any return, report, declaration, information return, statement or other document filed or required to be filed with any Governmental Authority, in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Transferred Assets" shall have the meaning ascribed to such term in Section 2.1 of this Agreement.

"Transferred Equipment" shall have the meaning ascribed to such term in Section 2.1(c) of this Agreement.

Exhibit 10.2

INTELLECTUAL PROPERTY AGREEMENT

between

SONY ELECTRONICS INC.

and

GSI TECHNOLOGY, INC.

August 28, 2009

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INTELLECTUAL PROPERTY AGREEMENT

This **Intellectual Property Agreement** is made and entered into as of August 28, 2009 by and between GSI Technology, Inc., a Delaware corporation ("**PURCHASER**"), on the one hand, and Sony Electronics Inc. ("**SONY**"), a Delaware corporation, on the other hand. PURCHASER and SONY are referred to individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, SONY presently conducts the business of manufacturing, marketing and selling SRAM products (the "**Business**");

WHEREAS, SONY has agreed to sell and PURCHASER has agreed to purchase certain assets, rights and properties of SONY used or useful in connection with the Business, all on the terms and subject to the conditions set forth in the Asset Purchase Agreement of even date herewith;

WHEREAS, SONY has or will transfer title to the Transferred Assets to PURCHASER under the Asset Purchase Agreement;

WHEREAS, SONY is the owner of certain intellectual property related to the Business; and

WHEREAS, SONY desires to transfer certain patents to PURCHASER and grant to PURCHASER a license under certain intellectual property related to the SRAM Products.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, the Parties hereto agree as follows:

1. Definitions

As used in this IP Agreement, all capitalized terms shall have the meaning ascribed to them as set forth in the Asset Purchase Agreement, except for terms defined herein, including the following terms, which shall have the meanings set forth below:

1.1 IP Agreement

The term "**IP Agreement**" means this Intellectual Property Agreement, including all attached Exhibits hereto, and any amendments or supplements agreed to in writing and signed by SONY and PURCHASER.

1.2 Asset Purchase Agreement

The term "**Asset Purchase Agreement**" means the Asset Purchase Agreement dated August 28, 2009 between SONY and PURCHASER to which this IP Agreement is attached as Exhibit F.

1.3 Effective Date

The term "**Effective Date**" means the Closing Date.

1.4 Licensed Patent(s)

The term "**Licensed Patent**" or "**Licensed Patents**" means any patent or patents issued at any time in any country (including any inventor's certificates, extension, reissued, renewal and reexamined patents), which (1) is based on any invention made on or prior to the Effective Date, including any patents for inventions disclosed in patent applications filed on or prior to the Effective Date, and issuing from any of those patent applications or any patent applications which are continuations, continuing applications, continuations-in-part or divisions of those patent applications, or on any foreign counterpart of any of those patent applications, (2) (a) is owned by SONY or any of its Affiliates or (b) under which SONY or its Affiliates have the right to grant licenses without payment by SONY or any of its Affiliates of additional royalties or other consideration to a third party (excluding payments for inventions made by that third party while employed by SONY or any of its Affiliates), and (3) would, in the absence of a license granted herein, be infringed by making, using, selling, offering for sale, importing or supplying any Competing Products (including, without limitation, the SRAM Products). "**Licensed Patents**" shall exclude the Transferred Patents.

1.5 Transferred Patent(s)

The term "**Transferred Patent**" or "**Transferred Patents**" means the patents and/or patent applications listed in Exhibit A to this IP Agreement and all patents and applications claiming the priority of any of these patents and/or patent applications and all reissues, divisions, renewals, extensions, provisionals, and continuations thereof, and any equivalent or similar rights anywhere in the world in inventions and discoveries.

2. Assignment

SONY hereby assigns to PURCHASER SONY's entire right, title and interest in, to and under the Transferred Patents, and any patents that may issue therefrom (including any foreign counterparts, divisions, continuations, renewals, continuations in part, reexaminations or reissues thereof), along with the right to sue and collect damages for any future infringement, and agrees to take all reasonably necessary action to assist PURCHASER, at PURCHASER's sole expense, to register, confirm and perfect such assignment, including by making filings with or at any and all necessary patent offices and/or governmental agencies. SONY retains the right to sue and collect damages for any past infringement of the Transferred Patents, provided that SONY obtains PURCHASER's written consent prior to making any infringement claim or allegation or filing any action, suit, litigation or proceeding that could affect the Transferred Patents or PURCHASER's ability to use and exploit the Transferred Patents or that may result in PURCHASER being joined as a party to the action, suit, litigation or proceeding. PURCHASER shall not unreasonably withhold its consent.

3. Licenses

3.1 Grant by SONY

SONY, on behalf of itself and its Affiliates, hereby grants to PURCHASER a worldwide, non-exclusive, fully paid-up, royalty-free license (a) under the Licensed Patents to make, have made, use, offer to sell, sell, otherwise dispose of, and import any Competing Products (including, without limitation, the SRAM Products); and (b) to use, reproduce, modify, prepare derivative works of, perform, display, and otherwise practice and exploit in any manner any and all of the SRAM Intellectual Property in connection with the use and exploitation of the

Transferred Assets, and to make, have made, use, offer to sell, sell, otherwise dispose of, and import Competing Products (including, without limitation, SRAM Products).

3.2 Grant Back by PURCHASER

Subject to SONY's compliance with the covenant not to compete in Section 8.3 of Asset Purchase Agreement, PURCHASER hereby grants to SONY a worldwide, non-exclusive, fully paid-up, royalty-free license, under the Transferred Patents, to make, use, offer to sell, sell, otherwise dispose of, and import any products, including any Competing Products. This Section 3.2 shall not be construed as superseding, overriding or modifying Section 8.3 of Asset Purchase Agreement.

3.3 No Implied License or Other Assignment

Except as expressly set out in this IP Agreement and the Asset Purchase Agreement, neither party grants to the other Party, and each Party acknowledges and agrees that the other Party has not granted to it, any other license explicitly or implicitly under any Intellectual Property nor has either party made any transfer or assignment to the other Party of any Intellectual Property or intellectual property rights.

3.4 No Sublicense Rights

No license granted by either party under this IP Agreement includes the right to grant sublicenses.

4. Each Party's Sole Right to the Intellectual Property

Each Party shall have the sole right, but not the obligation, to apply for and register for protection for, prosecute, and maintain any of its Intellectual Property and shall have the sole right to determine whether or not, and where, to apply for and/or register such protection, to abandon attempts to obtain protection or abandon registered protection of any Intellectual Property, and/or to discontinue the maintenance of any Intellectual Property without any

obligation to inform the other Party of any such action or inaction. Neither Party is obligated to (a) file any patent application or to secure any patent or patent rights, or (b) maintain any patent in force or prosecute any patent application.

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5. Restrictions on Use of SONY Trademarks

5.1 No Trademark License

Both Parties agree and recognize that, except as specifically provided in this Section 5, SONY does not grant any trademark license to PURCHASER under any SONY slogans, brands, trade names, monograms, logos, common law trademarks and service marks, trademark and service mark registrations and applications or any World Wide Web addresses, sites and domain names or any variations thereof ("**SONY Branding**"). PURCHASER agrees that, except as specifically provided in this Section 5, it shall not use any slogans, brands, trade names, monograms, logos, common law trademarks and service marks, trademark and service mark registrations and applications or any World Wide Web addresses, sites and domain names or any variations thereof ("**PURCHASER Branding**") that imitate or are confusingly similar to any SONY Branding, nor shall it use PURCHASER Branding in commerce in a manner that would be confusingly similar to any SONY Branding.

5.2 Removal of SONY Trademarks

Except as expressly permitted by Section 5.5 or as otherwise agreed by SONY in writing, Purchaser shall either remove, cover (i.e., sticker) or obliterate SONY Branding visible to the unaided human eye from all SRAM Products and product literature whether (a) transferred in complete or incomplete form under the Asset Purchase Agreement, (b) manufactured under license under this IP Agreement, or (c) manufactured using the Transferred Assets. Notwithstanding the foregoing, PURCHASER shall have the right to sell finished SRAM Products bearing SONY Branding acquired by PURCHASER under the Asset Purchase Agreement, subject to the provisions of Section 8.14 thereof.

5.3 Packaging

Except as expressly otherwise agreed by SONY in writing, all inventory of SRAM Products shall be packaged with labels clearly indicating that it is a PURCHASER original product. PURCHASER is expressly prohibited from using any SONY Branding alone or on any SRAM Product and/or product packaging. Notwithstanding the foregoing, PURCHASER shall have the right to sell finished SRAM Products bearing SONY Branding

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acquired by PURCHASER under the Asset Purchase Agreement, subject to the provisions of Section 8.14 thereof.

5.4 No Affiliation

PURCHASER shall not represent, imply, or connote in any way that it is affiliated with SONY or, other than as authorized by this IP Agreement, use any SONY Trademark for any goods, parts, packaging of products, or services.

5.5 JTAG / Mask Works

Notwithstanding the provisions of Section 5.1, PURCHASER shall have the right to use any and all Mask Works transferred to PURCHASER under the Asset Purchase Agreement, even if the use of such Mask Works results in a JTAG or other marking that would otherwise indicate a connection to SONY, provided that:

(i) the use of such Masks is only for the manufacture by or for PURCHASER of SRAM Products that are qualified with customers as of the Effective Date and updates or revisions of such SRAM Products that would not require requalification; and

(ii) PURCHASER allows SONY to audit PURCHASER's manufacture and testing of SRAM Products for purposes of determining the quality of those SRAM Products that bear a marking which indicates a connection to SONY from time to time upon reasonable request, subject to SONY's execution of a standard PURCHASER confidentiality agreement; and

(iii) no alterations are made to any such Mask in any way.

6. Payment

Consideration for the license granted by SONY under this IP Agreement is included in the Purchase Price, and PURCHASER shall have no obligation to make any additional payments to SONY for the license granted under this Agreement.

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7. Term and Termination

7.1 Term

Unless earlier terminated as provided below, this IP Agreement shall extend until the last date of expiration of the SRAM Intellectual Property rights licensed under this IP Agreement.

7.2 Termination

(a) Should either Party fail to observe faithfully and materially perform each of the material obligations assumed by it in this IP Agreement for thirty (30) days after its attention has been directed to any such breach by notice in writing from the other Party, the non-breaching Party shall, at its option, have the right to terminate the license granted by it under this Agreement, such termination to be effected by serving notice in writing upon the breaching Party to that effect on or after the expiration of such period of thirty (30) days.

(b) Should PURCHASER assert against SONY a claim based on its Patents and/or Intellectual Property, SONY shall, at its option, have the right to terminate the license granted by SONY hereunder, such termination to be effected by serving notice in writing upon PURCHASER to that effect not less than thirty (30) days prior to the effective date of such termination.

(c) Should SONY or any SONY Affiliate assert against PURCHASER a claim based on its Patents and/or Intellectual Property, PURCHASER shall, at its option, have the right to terminate the license granted by PURCHASER hereunder, such termination to be effected by serving notice in writing upon SONY to that effect not less than thirty (30) days prior to the effective date of such termination.

7.3 Insolvency

The licenses granted to a Party under Section 3 hereof shall automatically terminate should such Party become adjudicated insolvent by reason of failure to pay its debts when due, enter into bankruptcy proceeding for its liquidation, voluntarily or involuntarily, or make any assignment for the benefit of any one or more creditors.

7.4 Continuing Obligations

Termination of the licenses granted hereunder shall not affect any liability of either of the Parties previously accruing under this IP Agreement.

8. Representations and Warranties

SONY hereby makes the following representations and warranties to PURCHASER, each of which shall be true and correct as of the date hereof and as of the Closing Date, and shall be unaffected by any investigation heretofore or hereafter made:

8.1 Power and Authority

SONY has the right and power to enter into this IP Agreement and to transfer the Transferred Patents and to grant the license set forth in Section 3.1.

8.2 Essential Patents

The Transferred Patents listed on Exhibit A comprise the Patents, both U.S. and foreign, owned or claimed by SONY or any SONY Affiliate, that are essential to the conduct of the Business as conducted by SONY.

8.3 Ownership

All of the Transferred Patents are owned solely by SONY. No Transferred Patent is jointly owned by SONY and any other Person, nor is it owned or jointly owned by any SONY Affiliate.

8.4 Validity and Enforceability

Each of the Transferred Patents (excluding applications) is subsisting, and, to the Knowledge of SONY, valid and in full force and effect (except with respect to applications), and has not expired or been cancelled or abandoned. All necessary documents and certifications in connection with each Transferred Patent (excluding applications) have been filed with the relevant patent, copyright or other authorities in the United States and foreign jurisdictions, as the case may be, for the purposes of avoiding abandonment, prosecuting and maintaining of

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Transferred Patents (excluding applications). Except for actions of the relevant jurisdiction's patent and trademark office or other government intellectual property office ("Office Actions"), SONY has not, to the Knowledge of SONY, received written notice of any pending or threatened (and at no time within the two years prior to the Effective Date has there been pending any) action before any court, governmental authority or arbitral tribunal in any jurisdiction challenging the use, ownership, validity, enforceability or registerability of any of the Transferred Patents. Rejections of pending applications before a national patent, trademark or intellectual properly office will not constitute such written notice. Except for Office Actions and broad Patent portfolio cross license agreements that SONY has signed with third parties ("Portfolio Cross Licenses"), neither SONY nor any Affiliate of SONY is, to the Knowledge of SONY, a party to any settlements, covenants not to sue, consents, decrees, stipulations, judgments or orders resulting from actions which permit third parties to use any Transferred Patents or any other SRAM Intellectual Property included in the Transferred Assets. SONY has the sole right to enforce all of the Transferred Patents and the other SRAM Intellectual Property rights of SONY included in the Transferred Assets.

8.5 Sufficiency

To the Knowledge of SONY, SONY and each of SONY's Affiliates owns, or has valid rights to use, all the SRAM Intellectual Property material to the conduct of the Business, including, without limitation, the design, development, manufacture, marketing, use, distribution, import, supply, provision and sale of SRAM Products.

8.6 Non-infringement by the Business

As of the Effective Date, SONY has not received written notice of any pending or threatened (and at no time within the two years prior to the date of this Agreement has there been, to the Knowledge of SONY, pending any) action alleging that the activities or the conduct of the Business dilutes (solely with respect to trademark rights), misappropriates, infringes, violates or constitutes the unauthorized use of, or will dilute (solely with respect to trademark rights), misappropriate, infringe upon, violate or constitute the unauthorized use of the Intellectual Property of any third party, nor, to the Knowledge of SONY, does there exist any basis therefor. Except for Office Actions pertaining to the Transferred Patents and Patent licenses

granted by SONY under Portfolio Cross Licenses, neither SONY nor any of SONY's Affiliates is, to the Knowledge of SONY, party to any settlement, covenant not to sue, consent, decree, stipulation, judgment, or order resulting from any action which (i) restricts SONY's or any of its Affiliate's rights to use any SRAM Intellectual Property in connection with the Business, (ii) restricts the Business in order to accommodate a third party's Intellectual Property rights or (iii) requires any future payment by SONY or any SONY Affiliate.

8.7 Infringement by a Third Party

To the Knowledge of SONY, no third party is misappropriating, infringing, or violating any SRAM Intellectual Property material to the conduct of the Business that is owned by or exclusively licensed to SONY or any SONY Affiliate, and no Intellectual Property or other proprietary right, misappropriation, infringement or violation actions have been brought against any third party by SONY or any SONY Affiliate in connection with the Business.

8.8 Intellectual Property Development

To the knowledge of SONY:

(a) Each Person who is or has been employed by SONY or any Affiliate of SONY at any time at or prior to the date hereof in connection with the development of any SRAM Intellectual Property or technology material to the Business, or is or has provided consulting services to SONY or any Affiliate of SONY in connection with the development of any SRAM Intellectual Property or technology material to the Business at any time at or prior to the Effective Date, has signed an agreement containing appropriate confidentiality terms.

(b) Except in the exercise of SONY's business judgment, other than under an appropriate confidentiality or nondisclosure agreement or contractual provision relating to confidentiality and nondisclosure, there has been no disclosure to any third party of material confidential or proprietary information or trade secrets of SONY or any Affiliate of SONY related to any SRAM Product. All current and former employees of SONY and each Affiliate of SONY who have made any material contributions to the development of any SRAM Product have signed an invention assignment agreement that assigns ownership to SONY or have performed that work in the course, and within the scope, of their employment.

(c) All consultants and independent contractors currently or previously engaged by SONY or its Affiliates who have made any material contributions to the development of any SRAM Product (including, without limitation, all consultants and independent contractors who have designed, written, or modified any firmware or software code contained in any SRAM Product) have entered into a work-made-for-hire agreement or have otherwise assigned to SONY or a Affiliate of SONY (or a third party that previously conducted any business that forms any part of the Business currently conducted by SONY and that has subsequently assigned its rights in such SRAM Product to SONY) all of their right, title and interest (other than moral rights, if any) in and to the portions of such SRAM Product developed by them in the course of their work for SONY or any Affiliate.

(d) Other than the employees, consultants and contractors referred to in this Section 8.8, no other Person has made or currently is making any material contributions to the development of any SRAM Product.

8.9 Material Intellectual Property Agreements

Except for the SRAM Contracts assigned to and assumed by PURCHASER under the Asset Purchase Agreement and the Portfolio Cross Licenses, there are no contracts, licenses or agreements between SONY or any of its Affiliates, on the one hand, and any other Person, on the other hand, with respect to any SRAM Intellectual Property material to the conduct of the Business, including any agreements with respect to the manufacture or distribution of the SRAM Products.

8.10 Royalties

To the Knowledge of SONY, except for obligations under the SRAM Contracts assigned to and assumed by PURCHASER under the Asset Purchase Agreement, neither SONY nor any Affiliate of SONY has any obligation to pay any third party any royalties or other fees for the continued use of Intellectual Property which is specifically applicable to SRAM Products, and PURCHASER will not be obligated under any contract or agreement to pay any royalties or other fees associated with SRAM Intellectual Property arising from the consummation of the transactions contemplated by this Agreement.

8.11 No Loss of Rights

The consummation by SONY of the transactions contemplated hereby will not result in any violation, loss or impairment of ownership by SONY or any SONY Affiliate of, or impair or restrict the right of PURCHASER to use, any Transferred Patents or any other SRAM Intellectual Property included in the Transferred Assets, and will not require the consent of any governmental authority or third party with respect to any of Transferred Patents or any other SRAM Intellectual Property included in the Transferred Assets.

8.12 Transferability

All Transferred Patents will be fully transferable, alienable or licensable by PURCHASER from and after the Closing without restriction and without payment of any kind to any third party other than requirements under applicable laws to file documents with and pay fees to patent offices. There are no Liens on any of the Transferred Patents. (For the avoidance of doubt, the Parties acknowledge that SONY's licensees under Portfolio Cross Licenses already hold licenses to the Transferred Patents and do not need a license from PURCHASER to practice the Transferred Patents.)

8.13 No SRAM Product Warranty Issues

To the Knowledge of SONY, each SRAM Product currently offered for sale by SONY (or its Affiliates, as the case may be) conforms with all SONY datasheet specifications, except with respect to warranty claims made in the ordinary course of business. (For the avoidance of doubt, epidemic failures or any substantial repeated failures of those products to comply with specifications that have not been resolved are not in the ordinary course of business). SONY has not received written notice from any customer, reseller, OEM customer or governmental authority alleging any such material non-conformance.

8.14 Disclaimer

NOTHING IN THIS IP AGREEMENT SHALL BE DEEMED TO BE A REPRESENTATION OR WARRANTY BY EITHER PARTY OF THE VALIDITY OF ANY PATENT. NEITHER PARTY SHALL HAVE ANY LIABILITY WHATSOEVER TO THE

OTHER PARTY OR ANY OTHER PERSON FOR OR ON ACCOUNT OF ANY INJURY, LOSS, OR DAMAGE, OF ANY KIND OR NATURE SUSTAINED BY, OR ANY DAMAGE ASSESSED OR ASSERTED AGAINST, OR ANY OTHER LIABILITY INCURRED BY OR IMPOSED UPON THE OTHER PARTY OR ANY OTHER PERSON, ARISING OUT OF OR IN CONNECTION WITH OR RESULTING FROM (A) THE PRODUCTION, USE, SALE, OFFER FOR SALE, OTHER DISPOSITIONS OR IMPORTATION OF ANY APPARATUS OR PRODUCT MADE BY THAT PARTY; OR (B) ANY ADVERTISING OR OTHER PROMOTIONAL ACTIVITIES MADE BY THAT PARTY WITH RESPECT TO ANY OF THE FOREGOING, AND EACH PARTY SHALL HOLD THE OTHER PARTY, AND ITS AFFILIATES, OFFICERS, AGENTS, OR EMPLOYEES, HARMLESS IN THE EVENT IT, OR ITS OFFICERS, AGENTS, OR EMPLOYEES, IS HELD LIABLE. THIS SECTION 8 IS NOT INTENDED TO NEGATE OR SUPERSEDE ANY REPRESENTATION OR WARRANTY EXPRESSLY MADE BY SONY IN THIS IP AGREEMENT.

9. Miscellaneous

9.1 Notices

All notices and other communications required or permitted hereunder will be in writing and, unless otherwise provided in this IP Agreement, will be deemed to have been duly given when delivered in person or when dispatched by electronic facsimile transfer (confirmed in writing by mail simultaneously dispatched) or one business day after having been dispatched by a nationally recognized overnight courier service to the appropriate Party at the address specified below:

(a) If to PURCHASER, to:

GSI Technology, Inc.
2360 Owen Street
Santa Clara, CA 95054
Attention: Chief Financial Officer
Facsimile No.: (408) 980-8377

with a copy (which shall not constitute notice) to:

DLA Piper LLP (US)
2000 University Avenue
East Palo Alto, CA 94303-2214
Attention: Dennis C. Sullivan
Facsimile No.: (650) 867-1200

(b) If to SONY, to:

Sony Electronics Inc.
1730 N. First Street
San Jose, CA 95112
Attention: Law Department
Facsimile No.: (408) 352-4169

with a copy (which will not constitute notice) to:

Sony Electronics Inc.
16530 Via Esprillo, MZ7300
San Diego, CA 92127
Attention: General Counsel
Facsimile No.: (858) 942-8170

or to such other address or addresses as any such Party may from time to time designate as to itself by like notice.

9.2 Expenses

Except as otherwise expressly provided herein, each Party shall pay any expenses incurred by it incident to this IP Agreement, and in preparing to consummate and consummating the transactions provided for herein.

9.3 Successors and Assigns

This IP Agreement will be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns, but will not be assignable or delegable by any Party without the prior written consent of the other Party. Notwithstanding the foregoing, a Party may transfer or assign its rights under this IP Agreement in connection with a merger, acquisition or sale of all or substantially all of its assets, on condition that it provides the

other Party with notice of the transfer or assignment. Any attempted transfer in contravention of this Section 9.3 shall be null and void.

9.4 Waiver

No action taken pursuant to this IP Agreement will be deemed to constitute a waiver of compliance with any representations, warranties, conditions or covenants contained in this IP Agreement unless it is in writing, and no such waiver will operate or be construed as a waiver of any subsequent breach, whether of a similar or dissimilar nature.

9.5 Entire Agreement

This IP Agreement and the Asset Purchase Agreement (including the Schedules and Exhibits hereto and thereto and the ancillary documents thereto) supersedes any other agreement, whether written or oral, that may have been made or entered into by any Party relating to the matters contemplated hereby and constitutes the entire agreement by and among the Parties with respect to the subject matter hereof and thereof.

9.6 Amendments and Supplements

This IP Agreement may be amended or supplemented at any time by additional written agreements as may mutually be determined by PURCHASER and SONY to be necessary, desirable or expedient to further the purposes of this IP Agreement or to clarify the intention of the Parties.

9.7 Rights of Third Parties

Other than Affiliates of a Party, nothing expressed or implied in this IP Agreement is intended or will be construed to confer upon or give any Person other than the Parties any rights or remedies under or by reason of this IP Agreement or any transaction contemplated hereby.

9.8 Further Assurances

From time to time, as and when requested by either Party, the other Party will execute and deliver, or cause to be executed and delivered, all such documents and instruments, make such other deliveries and take such other actions as may be reasonably necessary to consummate the transactions contemplated by this IP Agreement.

9.9 Applicable Law

This IP Agreement and the legal relations among the Parties will be governed by and construed in accordance with the rules and substantive Laws of the State of California, United States of America, without regard to conflicts of law provisions.

9.10 Execution in Counterparts

This IP Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement.

9.11 Titles and Headings

Titles and headings to Sections herein are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this IP Agreement.

9.12 Invalid Provisions

If any provision of this IP Agreement is held to be illegal, invalid, or unenforceable under any present or future Law, (a) such provision will be fully severable; (b) this IP Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this IP Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance from this IP Agreement; and (d) in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as a part of this IP Agreement a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible.

9.13 Transfer Taxes

All sales, use, transfer, stamp, conveyance, value added or other similar taxes, duties, excises or governmental charges imposed by any taxing jurisdiction, domestic or foreign, and all recording or filing fees, notary fees or other similar costs of Closing with respect to the transfer of the Transferred Assets or otherwise on account of this IP Agreement or the transactions contemplated hereby will be borne by PURCHASER.

9.14 Attorneys' Fees

If any action at law or in equity is necessary to enforce or interpret the terms of this IP Agreement, the Person prevailing shall be entitled to recover in such action its reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which it may be entitled.

IN WITNESS WHEREOF, the Parties have caused this IP Agreement to be executed in duplicate by their duly authorized officers as of the day and year first above written.

GSI TECHNOLOGY, INC.		**SONY ELECTRONICS INC.**	
By:	/s/ Lee-Lean Shu	By:	/s/ Tomoya Hayakawa
Name:	Lee-Lean Shu	Name:	Tomoya Hayakawa
Title:	President & CEO	Title:	President of CSBD

Exhibit F:

Exhibit A to the IP Agreement: List of Assigned Patents

Filing Date	Title	Country/ Region	Serial #	Publ. #	Patent #	Inventors
28-Apr-06	Test semiconductor device in full frequency with half frequency tester	United States	11/414,612	2007-0266286	7516385	Chen, Suzanne; & Kim, Jae-Hyeong; & Tseng, Chih-Chiang
24-Apr-06	Minimized line skew generator.	United States	11/410,352	2007-0096790	Not yet patented	Chuang, Patrick; & Kim, Jae-Hyeong; & Lu, Chungji (Jay)
30-Oct-06	Performing Read and Write Operations in the Same Cycle for an SRAM Device.	Japan	2006-294640			Chen, Suzanne; & Huang, M.H. Mu-Hsiang; & Tseng, Chih-Chiang
14-Apr-06	Performing read and write operations in the same cycle for an SRAM device.	United States	11/404,191	2007-0097780	7355907	Chen, Suzanne; & Huang, M.H. Mu-Hsiang; & Tseng, Chih-Chiang
30-Oct-06	Shift Registers Free of Timing Race Boundary Scan Registers with Two-Phase Clock Control.	Japan	2006-294617			Chen, Suzanne; & Chuang, Patrick; & Huang, M.H. Mu-Hsiang
14-Apr-06	Shift registers free of timing race boundary scan registers with two-phase clock control.	United States	11/404,353	2007-0101222	7389457	Chen, Suzanne; & Chuang, Patrick; & Huang, M.H. Mu-Hsiang
3-May-06	Dynamic sense amplifier for SRAM.	United States	11/417,805	2007-0097765	7313040	Chuang, Patrick; & Huang, M.H. Mu-Hsiang; & Kim, Jae-Hyeong
30-Oct-06	Dynamic sense amplifier for SRAM.	Japan	2006-294706			Chuang, Patrick; & Huang, M.H. Mu-Hsiang; & Kim, Jae-Hyeong
17-May-06	Programmable impedance control circuit calibrated at Voh Vol level	United States	11/436,260	2007-0268039	7312629	Huang, M.H. Mu-Hsiang; & Ichihashi, Masahiro; & Miyajima, Yoshifumi; & Nakashima, Katsuya
4-Apr-08	DYNAMIC DUAL CONTROL ON-DIE TERMINATION.	United States	12/078,782	2008-0272800	Not yet patented	Chuang, Patrick; & Haig, Robert
24-Mar-08	An efficient method for implementing programmable impedance output drivers and	United States	12/079,100	Not yet published	Not yet patented	Chuang, Patrick; & Haig, Robert; & Kwon, Kookhwan;

Filing Date	Title	Country/ Region	Serial #	Publ. #	Patent #	Inventors
	programmable input on die termination on a bi-directional data bus					& Tseng, Chih
9-Mar-09	Programmable input/output structures and method for implementing a bi-directional data busses.	China	200910127224.8			Chuang, Patrick; & Haig, Robert; & Kwon, Kookhwan; & Tseng, Chih

13-Feb-09	An efficient method for implementing programmable impedance output drivers and programmable input on die termination on a bi-directional data bus	EPO	09250396.0		Chuang, Patrick; & Haig, Robert; & Kwon, Kookhwan; & Tseng, Chih

AGREEMENT OF PURCHASE AND SALE

This Agreement dated, for reference purposes only, as of September 15, 2009 is between JAMES S. LINDSEY AND SALLY K. LINDSEY, TRUSTEES, OR THEIR SUCCESSORS, OF THE LINDSEY FAMILY TRUST DATED MAY 25, 2004, as to an undivided 85% interest and KHALIL JENAB AND TIFFANY RENEE JENAB, TRUSTEES OF THE JENAB FAMILY 1997 TRUST DATED DECEMBER 11, 1997, as to an undivided 15% interest (collectively, "Seller"), and GSI Technology, Inc. or Nominee ("Buyer"). As used herein, the "Effective Date" shall mean the date of the last execution and delivery hereof sufficient to form a binding contract between the parties.

ARTICLE 1
PURCHASE AND SALE OF PROPERTY

1.1 Sale.

Subject to the terms, covenants and conditions set forth herein, Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the following:

(a) that certain parcel of land, consisting of approximately two and ninety nine one hundredths (2.99) acres, known as Assessor's Parcel Number 104-32-029, located in the City of Sunnyvale, County of Santa Clara, State of California, more particularly described on Exhibit A attached hereto and made a part hereof, together with and all appurtenances pertaining to such property, including any right, title and interest of Seller in and to adjacent streets, alleys or rights-of-way (the property described in clause (a) of this Section 1.1 being herein referred to collectively as the "Land");

(b) the buildings, structures, fixtures and other improvements on the Land, including specifically, without limitation, the building having the respective street address of 1213 Elko Drive in Sunnyvale, California, consisting of approximately forty four thousand two hundred seventy-seven (44,277) net rentable square feet, more or less (the property described in clause (b) of this Section 1.1 being herein referred to collectively as the "Improvements");

(c) all of Seller's right, title and interest, if any, in all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam and all products derived from any of the foregoing, that may be within or under the Land, together with the perpetual right of Seller, if any, in drilling, mining, exploring and operating therefore and storing in and removing the same from the Land ("Mineral Rights");

(d) all of Seller's rights, privileges, entitlements, easements and appurtenances pertaining to the Land and the Improvements, including any right, title and interest of Seller (but without warranty whether statutory, express or implied) in and to adjacent streets, alleys or rights-of-way ("Appurtenant Rights"); and

(e) all of Seller's right, title and interest, if any, in and to all contracts and agreements relating to the ownership, operation or maintenance of the Land or the Improvements, if any, as listed on the attached Exhibit D ("Contract Rights").

The Land, Improvements, Mineral Rights, Appurtenant Rights and Contract Rights are hereinafter sometimes referred to collectively as the "Property."

1.2 Purchase Price.

(a) The purchase price of the Property is Four Million Six Hundred Forty Nine Thousand Eighty Five and 00/100 Dollars ($4,649,085.00) (the "Purchase Price").

(b) The Purchase Price shall be paid as follows:

(i) Deposits. Not later than five (5) business days following the Effective Date, Buyer shall deliver to Chicago Title Company, 675 N. First Street, Suite 300, San Jose, CA 95112, Attn: Teresa Woest ("Title Company") a deposit in the amount of One Hundred Thousand and 00/100 Dollars ($100,000) (the "Deposit"). The Deposit shall be placed by the Title Company in an interest-bearing account, with interest accruing in the name of Buyer. The interest accrued on the Deposit while in escrow shall be deemed part of the Deposit for purposes of this Agreement. Upon the satisfaction (or waiver in writing by Buyer) of the conditions set forth in Sections 2.1(a) through 2.1(d), provided Buyer delivers its Approval Notice (as defined in Section 2.2(a)) to Seller on or before the expiration of the Feasibility Period referred to in Section 2.2(a) below, Buyer shall deliver to the Title Company an additional deposit in the amount of Fifty Thousand and 00/100 Dollars ($50,000) (the "Second Deposit") and Buyer shall cause the Title Company to release the Initial Deposit and the Second Deposit to Seller on or before the expiration the Feasibility Period or, if later, at the expiration of the Title Approval Period, provided that Buyer does not terminate the Agreement within the Title Approval Period pursuant to Section 4.2(a) below. The release of the First Deposit and Second Deposit to Seller at any time prior to the Closing Date shall be contingent upon Seller's deposit into escrow a fully executed Grant Deed, in the form attached hereto as Exhibit C, together with irrevocable instructions confirming that the Grant Deed shall be neither released nor recorded until the other requirements of Closing have been satisfied, and that upon Buyer's deposit of the Closing Cash and satisfaction of all conditions to Closing hereunder (or written waiver of such conditions by the party for whose benefit such conditions exist), escrow shall be closed and the Grant Deed recorded. Time is of the essence as to the release of the Initial Deposit and Second Deposit to Seller. The Initial Deposit and the Second Deposit are collectively referred to herein as the "Deposit." The Deposit shall be non-refundable to Buyer as liquidated damages in accordance with Section 1.2(b)(iii) below (except in the event of a breach or default by Seller or as otherwise provided in this Agreement) but shall be credited against the Purchase Price at the Closing hereunder. In the event that (x) any of the conditions set forth in Sections 2.1(a) through 2.1(d) are not satisfied or waived in writing by Buyer on or prior to the expiration of the Feasibility Period referred to in Section 2.2(a) below, (y) either of the conditions set forth in Section 2.1(e) or Section 2.1(f) is not satisfied or waived in writing by Buyer on or prior to the Closing Date or (z) Buyer elects to terminate this Agreement on or prior to the expiration of the Title Approval Period referred to in Section 4.2(a) below in accordance with its rights in said Section 4.2(a), then this Agreement shall be deemed terminated, all rights and obligations of the parties hereunder (except for those obligations which expressly survive the termination of this Agreement and the rights arising from any breach of such surviving obligations) shall cease and the Initial Deposit (together with the interest accrued thereon while in escrow) shall be promptly refunded to Buyer.

(ii) Cash at Close. On or before the Closing Date (defined in Section 9.2 below), Buyer shall deliver to Title Company cash in the amount of the balance of the Purchase Price (the “Closing Cash”) plus Buyer’s share of Closing Costs. The Closing Cash shall be credited against the Purchase Price at the consummation of the purchase and sale contemplated hereunder (the “Closing”).

(iii) Liquidated Damages. THE PARTIES HERETO AGREE THAT IF THIS TRANSACTION IS NOT CONSUMMATED AS A RESULT OF BUYER’S DEFAULT HEREUNDER, SELLER SHALL SUFFER ECONOMIC DETRIMENT RESULTING FROM THE REMOVAL OF THE PROPERTY FROM THE REAL ESTATE MARKET FOR AN EXTENDED PERIOD OF TIME AND ANY CARRYING AND OTHER COSTS INCURRED AFTER THE REMOVAL OF THE PROPERTY FROM THE REAL ESTATE MARKET, AND THAT SUCH DAMAGES ARE IMPRACTICABLE OR EXTREMELY DIFFICULT TO ASCERTAIN. THE PARTIES HERETO AGREE THAT THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF THE DAMAGES THAT WILL BE INCURRED BY SELLER IN THE EVENT OF A BREACH OR DEFAULT OF THIS AGREEMENT BY BUYER. BUYER AGREES THAT IN THE EVENT THAT ESCROW FAILS TO CLOSE AS A RESULT OF BUYER’S BREACH, PROVIDED THAT SELLER IS READY, WILLING, AND ABLE TO CONSUMMATE THIS TRANSACTION, SELLER, AS ITS SOLE REMEDY, SHALL BE ENTITLED TO RECEIVE (TO THE EXTENT NOT PREVIOUSLY RELEASED TO SELLER) AND RETAIN THE PORTION OF THE DEPOSIT PREVIOUSLY DEPOSITED AS LIQUIDATED DAMAGES. SUCH RECEIPT OF THE DEPOSIT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE, OR ANY SIMILAR PROVISION. SELLER HEREBY WAIVES THE REMEDY OF SPECIFIC PERFORMANCE WITH RESPECT TO ANY DEFAULT BY BUYER OF ITS OBLIGATION TO PURCHASE THE PROPERTY, AND AGREES THAT THE LIQUIDATED DAMAGES SET FORTH HEREIN SHALL BE SELLER’S SOLE REMEDY IN THE EVENT BUYER BREACHES OR DEFAULTS IN ITS OBLIGATION TO PURCHASE THE PROPERTY HEREUNDER. THIS LIQUIDATED DAMAGES PROVISION SHALL NOT BE APPLICABLE TO ANY BREACH BY BUYER OF ANY INDEMNIFICATION, DEFENSE OR HOLD HARMLESS OBLIGATION OR RESTORATION OBLIGATION OF BUYER UNDER THIS AGREEMENT, OR ANY OTHER OBLIGATION OF BUYER THAT EXPRESSLY SURVIVES THE TERMINATION OF THIS AGREEMENT. THIS LIQUIDATED DAMAGES PROVISION ALSO SHALL NOT SERVE AS A LIMITATION ON THE AMOUNT OF ATTORNEYS’ FEES THAT SELLER MAY PURSUE OR COLLECT FROM BUYER IN THE EVENT SELLER INCURS ATTORNEYS’ FEES IN ATTEMPTING TO COLLECT OR RETAIN THE LIQUIDATED DAMAGES REFERRED TO HEREIN. BY INITIALING THIS SECTION 1.2(b)(iii) BELOW, SELLER AND BUYER AGREE TO THE TERMS OF THIS SECTION 1.2(b)(iii).

INITIALS: SELLER JSL/SKL/KJ/TRJ BUYER DMS

ARTICLE 2
CONDITIONS

2.1 Conditions Precedent to Buyer’s Obligations.

Buyer’s obligation to purchase the Property is conditioned upon the following:

(a) Subject to the provisions of Section 3.1 below, Buyer’s review and approval of the physical condition of the Property, including, without limitation, the structural, electrical, and mechanical condition of the Property and the presence or absence of “Hazardous Materials” (defined below) in or from its soil and groundwater, or anywhere else in or around the Property. For purposes of this Agreement, the term “Hazardous Materials” shall mean any chemical, substance, waste or material which is deemed hazardous, toxic, a pollutant or a contaminant, under any federal, state or local statute, law, ordinance, rule, regulation or judicial or administrative order or decisions, now or hereafter in effect, or which has been shown to have significant adverse effects on human health or the environment. Hazardous Materials shall include, without limitation, substances defined as “hazardous substances,” “hazardous materials,” or “toxic substances” in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; in the regulations adopted and publications promulgated pursuant to such laws; and in the Hazardous Materials storage, use or discharge laws, regulations and ordinances of the County of Santa Clara.

(b) Buyer’s review and approval of all zoning, land use, building, environmental and other statutes, rules, or regulations applicable to the Property.

(c) Buyer’s review and approval of the documents identified on Exhibit B attached hereto (the “Documents”) which are in the possession or control of Seller. Buyer acknowledges that Seller will furnish (or has furnished) to Buyer the Documents referred to in Exhibit B as a courtesy to Buyer and Seller makes no representation or warranty concerning such Documents except as expressly set forth in this Agreement. To the extent not previously delivered to Buyer prior to the execution of this Agreement, Seller shall furnish to Buyer copies of the Documents (to the extent in Seller’s possession or control) not later than five (5) days following the Effective Date (the “Delivery Period”). If Seller does not have any Documents identified on Exhibit B, Seller shall so state in a written notice delivered to Buyer within five (5) days after the Effective Date; provided, however, that Seller shall be required to secure a current Natural Hazards Report in any event. Prior to the Closing, Buyer shall maintain as confidential the Documents, and any and all material obtained about the Property (“Confidential Information”) and shall not disclose Confidential Information to any uninvolved third party; provided, however, Buyer shall have the right to disclose Confidential Information to involved third parties who require information to assist Buyer in Buyer’s due diligence investigations of the Property, provided that Buyer shall require such involved third parties to maintain the confidentiality of such Confidential Information. If escrow fails to close for any reason other than Seller’s default, the Documents and Additional Documents shall be promptly returned to Seller. Buyer’s obligations under this Section 2.1(c) shall survive the termination of this Agreement.

(d) Buyer's review and approval of the economic feasibility of the Property and the matters referred to in Paragraph 3.1(a) below (e.g. title and governmental regulations).

(e) Seller shall have performed, observed and complied in all material respects with all of the covenants and agreements required by this Agreement to be performed, observed and complied with by it within the applicable time period set forth herein for performance of such covenants and agreements. Seller's representations and warranties set forth in Section 10.1 or any other provision of this Agreement shall be true and correct as of the Close of Escrow.

(f) At the Close of Escrow hereunder, Title Company shall be ready, willing and able to issue or commit to issue to Buyer the Title Policy.

2.2 Feasibility Period.

(a) Buyer shall have until 5:00 p.m., Pacific Time, on the thirtieth day following Effective Date (the "Feasibility Period"), to review and approve in Buyer's sole and absolute discretion the matters or conditions in Sections 2.1(a)-(d) above. If, prior to the expiration of the Feasibility Period, Buyer notifies Seller in writing of Buyer's unconditional approval or satisfaction of the matters or conditions described in Sections 2.1(a)-(d) above (the "Approval Notice"), then Buyer shall be deemed to have approved the Property and the matters or conditions described in Sections 2.1(a)-(d) and such matters or conditions shall no longer be conditions to Buyer's obligations hereunder. If, prior to the expiration of the Feasibility Period, Buyer does not deliver its Approval Notice to Seller, then Buyer shall be deemed to have elected to terminate this Agreement, in which event this Agreement shall terminate, all obligations under this Agreement shall cease (except for any obligations that expressly survive the termination of this Agreement) and Buyer shall be entitled to the prompt return of the Initial Deposit. If any of the conditions set forth in Section 2.1(e) above are not satisfied (or waived in writing by Buyer in its sole and absolute discretion) on the Close of Escrow hereunder, then the provisions of Section 11.2 shall apply. If any of the conditions set forth in Section 2.1(f) above are not satisfied (or waived in writing by Buyer) on the Close of Escrow, then Buyer shall have the right to terminate this Agreement by delivery of written notice to Seller and, in the event of such termination, all obligations under this Agreement (except for those that expressly survive the termination of this Agreement) shall cease and Buyer shall be entitled to the prompt return of the Deposit made by Buyer hereunder.

2.3 Seller's Conditions to Closing.

Seller's obligation to sell the Property and close escrow hereunder is conditioned upon the following:

(a) Buyer shall have performed and complied with all of the material covenants and agreements required by this Agreement to be performed and complied with by it within the applicable time period set forth herein for performance of such material covenants and agreements. Time is of the essence. Buyer's representations and warranties set forth in Section 10.3 or any other provision in this Agreement shall be true and correct as of the Close of Escrow.

If Buyer fails to perform and comply with any material covenant required by this Agreement to be performed and complied with by it within the applicable time period set forth in this Agreement, then the condition set forth in Section 2.3(a) shall be deemed not satisfied and Seller may terminate this Agreement by written notice to Buyer. In the event of such termination, the Deposit shall be released to Seller (to the extent not previously released to Seller) and retained by Seller as liquidated damages (as provided in Section 1.2(b)(iii) hereof), and all rights, obligations and liabilities of Seller and Buyer under this Agreement (except rights, obligations and liabilities that expressly survive termination of this Agreement) shall terminate.

ARTICLE 3
RIGHT OF ENTRY

3.1 Buyer's Independent Investigation.

(a) During the Feasibility Period, Buyer acknowledges that it will investigate (or will have had the opportunity to investigate) to the extent deemed necessary by Buyer, all matters relating to title, zoning, land use entitlements and governmental regulations affecting the Property, and development of the Property, together with all governmental and other legal requirements such as taxes, assessments, zoning, use permit requirements and building codes. In addition, Buyer and its representatives, agents, consultants and contractors shall have the right to enter the Property to inspect it, including, without limitation, the interior, the exterior, the structure, the paving, the utilities, and all other physical and functional aspects of the Property (each, a "Buyer Inspection") subject to the following terms and conditions:

(i) Buyer shall not be in material default of this Agreement.

(ii) Buyer shall provide Seller with prior telephonic notice of each Buyer Inspection.

(iii) Each Buyer Inspection shall be at Buyer's sole cost.

(iv) The persons or entities performing the Buyer Inspections shall be properly licensed and qualified and shall have obtained all appropriate permits (to the extent such licenses or permits are required) for performing relevant tests on the Property prior to performing any tests on the Property. At least one (1) business day prior to entry onto the Property, Buyer shall deliver to Seller (and cause each contractor and consultant who desires to enter onto the Property on behalf, or for the benefit of, Buyer to deliver to Seller) a certificate of insurance evidencing that Buyer (or such applicable contractor or consultant) has obtained a policy or policies of commercial general liability insurance providing for a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence covering liability to property or persons for Buyer's and its agents' and employees' (and contractors' or consultants') activities on or about the Property, and naming Seller as an additional insured.

(v) Buyer shall have the right to undertake, or cause to be undertaken, any Phase II work, borings or invasive testing on, in or under the Property, or any portion thereof, as may be recommended by Buyer's environmental consultants. Each physical inspection shall not unreasonably interfere with the use of the Property by Seller nor shall any Buyer Inspection damage the Property in any respect.

(vi) Unless otherwise requested by Seller, all the Buyer Inspections shall be during normal business hours.

(vii) Seller shall have right to have one (1) or more representatives of Seller accompany Buyer and Buyer's representatives, agents, consultants or contractors while they are on the Property; provided, however, that if Seller is not able to accompany Buyer or Buyer's representatives, agents, consultants or contracts while they are on the Property, that shall not prevent Buyer from proceeding with the Buyer Inspection.

(viii) If the Property is damaged by Buyer or any of its agents, employees, consultants, contractors or other representatives in connection with a Buyer's Inspection, Buyer, at Buyer's sole cost and expense, shall promptly repair such damage and restore the Property to its condition existing immediately prior to the Buyer Inspections. Until restoration is complete, Buyer shall take all steps necessary to ensure that any conditions on the Property created by the Buyer Inspections do not materially interfere with the normal operation of the Property or create any dangerous, unhealthy, unsightly or noisy conditions on the Property. The restoration obligation contained in this Section 3.1(a)(viii) shall not obligate Buyer to clean up or remediate any Hazardous Materials, if any, existing in, on or under the Property as of the Effective Date unless and to the extent Buyer or any of its agents, employees, contractors or other representatives exacerbate such pre-existing Hazardous Material condition, if applicable). The restoration obligation contained in this Section 3.1(a)(viii) shall survive the termination of this Agreement.

(ix) Buyer shall indemnify, protect and defend (with counsel reasonably acceptable to Seller) and hold Seller harmless from and against any and all claims, damages, liens (including without limitation, mechanics' and materialmen liens), judgments, demands, obligations, actions, causes of action, costs, liabilities, losses and expenses (including, without limitation, attorneys' fees) to the extent arising out of any acts of Buyer or any of its agents, employees, representatives, consultants or contractors on or about the Property, or applicable portion thereof, including, without limitation, any Buyer Inspections; provided, however, such obligation of Buyer to indemnify, defend, protect and hold harmless Seller shall not be applicable to the mere discovery by Buyer of any Hazardous Materials existing on, in or under the Property and not caused to be present or exacerbated by Buyer or any of its agents, employees, contractors or other representatives. The indemnity obligations contained in this Section 3.1(a)(ix) shall survive close of escrow or any termination of this Agreement.

(x) Each Buyer Inspection, and the results thereof, shall remain Confidential Information, except that Buyer shall furnish to Seller, upon written request therefore by Seller to Buyer, without representation or warranty, all third party reports, studies and assessments of the Property or improvements thereon. Anything in this Agreement to the contrary notwithstanding, Buyer's obligations under this Section 3.1(a)(x) shall survive the termination of this Agreement.

ARTICLE 4
TITLE

4.1 Conditions of Title.

At the Closing, Seller shall convey title to the Property to Buyer by grant deed in the form attached hereto as Exhibit C (the "Deed"). As a condition to Buyer's obligation to close escrow hereunder, title to the Property to be conveyed to Buyer shall be subject to the Approved Exceptions (as defined in Section 4.2(b) below).

4.2 Approval of Title and Survey.

(a) Promptly following the execution of this Agreement, Seller shall deliver or cause the Title Company to deliver to Buyer a current preliminary title report issued by Title Company (the "Preliminary Title Report") showing the state of title to the Property, together with copies of all matters shown as exceptions therein. Buyer may also obtain a survey or updated survey of the Property (the "Survey"), at Buyer's sole cost and expense. Seller agrees to deliver or make available to Buyer, without representation or warranty, any survey of the Property that Seller obtained in connection with its acquisition or financing of the Property. Buyer shall have the right on or before the date fifteen (15) days following the Effective Date (the "Title Review Period"), to give Seller written notice of Buyer's disapproval of any title exceptions or matters set forth in the Title Report or Survey, matters that would be disclosed by a current survey of the Land or any other rights, interests, or matters not of record of which Buyer has actual knowledge (collectively, "Title and Survey Objections" or "Title or Survey Objections"); provided, however, that Buyer shall be deemed to have objected to, and Seller shall remove as exceptions prior to the Closing, all monetary liens and encumbrances excepting only taxes and assessments, a lien not yet due and payable. Buyer's failure to give written notice of any other Title or Survey Objections on or before expiration of the Title Review Period shall be deemed Buyer's approval of the Preliminary Title Report, survey matters and the condition of title of the Property. If Buyer gives timely written notice of any Title or Survey Objections prior to the expiration of the Title Review Period, Seller shall elect, within five (5) days following receipt of Buyer's notice ("Seller's Title Response Period"), by written notice ("Seller's Title Response Notice") given to Buyer, whether to remove or delete from the title to be conveyed to Buyer prior to the Closing Date such Title or Survey Objections. If Seller fails to make such election within the Seller's Title Response Period, then Seller shall be deemed to have elected not to remove such Title or Survey Objections. Upon receipt of a Seller's Title Response Notice electing not to remove Title or Survey Objections (or deemed election not to remove the Title or Survey Objections), Buyer may elect, on or prior to the date which is ten (10) days following the delivery of Seller's Title Response Notice or the earlier expiration of Seller's Title Response Period without deliver of Seller's Title Response Notice (the "Title Approval Period") to either (i) terminate this Agreement, in which event all obligations hereunder (except for those that expressly survive the termination of this Agreement) shall cease and the Deposit shall be promptly returned to Buyer, or (ii) waive its objection and proceed with the purchase of the Property in accordance with the terms of this Agreement and without a reduction of the Purchase Price. If Buyer fails to make the election referred to in the immediately preceding sentence, by written notice to Seller on or before the expiration of the Title Approval Period, then Buyer shall be deemed to have waived its objection and elected to proceed with the purchase of the Property.

The preceding to the contrary notwithstanding, Seller agrees to remove, or cause to be removed, from the condition of title on or before the Closing all deeds of trust or mortgages entered into by Seller affecting the Property.

(b) As used herein, "Approved Exceptions" shall mean: (i) non-delinquent real estate taxes and assessments, a lien not yet due and payable; (ii) any other easements, encumbrances, covenants, conditions and restrictions of record approved (or deemed approved) or waived by Buyer pursuant to Section 4.2(a) above, or liens created under the signature of Buyer; (iii) any exceptions to title which would be disclosed by an inspection and/or an accurate survey of the Property; (iv) local, state and federal laws, ordinances or governmental regulations including, but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Property, (v) any exceptions to title which may be caused by the actions of Buyer or any of its agents, employees, contractors or consultants, and (vi) standard printed exceptions and exclusions generally included in a CLTA owner's policy of title insurance.

4.3 Evidence of Title.

Delivery of title in accordance with the foregoing shall be evidenced by the willingness of the Title Company to issue, at Closing its standard California Land Title Association (CLTA) Owner's Policy of Title Insurance in the amount of the Purchase Price showing title to the Property vested in Buyer, subject to the Approved Exceptions and the standard exclusions to coverage shown on such CLTA Policy of Title Insurance (the "Title Policy"). If Buyer elects to obtain an ALTA extended coverage policy of title insurance, (a) the excess cost of such policy shall be at Buyer's sole cost; and (b) Buyer shall obtain, at Buyer's sole cost and expense, any current or updated survey of the Property required by the Title Company to issue the ALTA policy of title insurance. In no event shall Buyer be excused from its obligation to purchase the Property if the Title Company refuses to issue an ALTA policy because Buyer has failed or refused to provide Title Company with a survey acceptable to the Title Company. If, following the Close of Escrow hereunder, Buyer has any objection to the condition of title of the Property conveyed by Seller to Buyer, Buyer shall be deemed to have waived any and all claims against Seller related to such condition of title and Buyer acknowledges that its sole recourse shall be against the Title Company with respect to such dispute except as may arise from a breach by Seller of its representations and warranties made in this Agreement. Buyer is relying upon the Preliminary Title Report referred to above, the Title Policy to be issued to Buyer at closing and Buyer's own investigations respecting Seller's title to the Property.

ARTICLE 5
AS IS SALE, RELEASE OF CLAIMS

5.1 "As-Is" Purchase.

Except as expressly set forth in this Agreement, (a) Buyer specifically acknowledges and agrees that Seller is selling and Buyer is purchasing the Property on an "As Is With All Faults" basis, and (b)Buyer is not relying on any representations or warranties of any kind whatsoever, express or implied, from Seller, its agents, or brokers as to any matters concerning the Property, including without limitation: (i) the quality, nature, adequacy and physical condition of the

Property and the Improvements thereon, including, but not limited to, the structural elements, foundation, roof, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage, and utility systems, facilities and appliances, (ii) the quality, nature, adequacy, and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Property, (iv) the development potential of the Property, and the Property's use, habitability, merchantability, or fitness, suitability, value or adequacy of the Property for any particular purpose, (v) the zoning or other legal status of the Property or any other public or private restrictions on use of the Property, (vi) the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence or absence of Hazardous Materials (including, without limitation, asbestos or asbestos-containing materials and lead-based paint) on, under or about the Property (or Improvements thereon) or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any Improvements on the Property, (ix) the condition of title to the Property, (x) the income that may be generated from the Property, (xi) the drainage of the Property; and (xii) the economics of the operation of the Property. Buyer acknowledges that it shall use its independent judgment and make its own determination as to the scope and breadth of the due diligence investigation which it shall make relative to the Property. Except as expressly set forth in this Agreement, upon the Close of Escrow, (x) Buyer shall assume the risk that adverse matters, including but not limited to, construction defects and adverse physical and environmental conditions, may not have been revealed by Buyer's investigations, (y) Buyer shall rely upon its own investigation of the physical, environmental, economic and legal condition of the Property and the Improvements thereon (including, without limitation, whether the Property is located in an area which is designated as a special flood hazard area, dam failure inundation area, earthquake fault zone, seismic hazard zone, high fire severity area or wildland fire area, by any federal, state or local agency) and (z) Buyer undertakes and assumes the risks associated with all matters pertaining to the Property's location in any area designated as a special flood hazard area, dam failure inundation area, earthquake fault zone, seismic hazard zone, high fire severity area or wildland fire area, by any federal, state or local agency. The provisions of this Section 5.1 shall indefinitely survive the Close of Escrow hereunder or termination of this Agreement and shall not be merged into the Deed to be delivered by Seller to Buyer at Closing.

5.2 Release.

(a) Without limiting the above, as of the Closing hereunder, Buyer waives on behalf of itself and its agents, employees, members, affiliates, successors and assigns, any and all right to recover from Seller and each of the trusts comprising Seller and their respective affiliates, trustees, employees, agents, successors and assigns of each of them (collectively, the "Seller Related Parties"), and forever releases and discharges Seller and the Seller Related Parties from any and all damages, claims, losses, liabilities, penalties, fines, liens, judgments, actions, causes of action, demands, costs and expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with this Agreement, the Property and the Improvements thereon, including, without limitation, title to the Property, latent or patent construction defects applicable to any portion of the Property, violations of building codes or other laws, rules or regulations, the physical and environmental condition of the Property and

any law or regulation applicable thereto (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Sections 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. Sections 1251 et seq.), the Toxic Substance Control Act (15 U.S.C. Sections 2601 et seq.), the California Hazardous

Waste Control Law (California Health and Safety Code Sections 25100 et seq.), the Porter-Cologne Water Quality Control Act (California Water Code Sections 13000 et seq.), and the Safe Drinking Water and Toxic Enforcement Act (California Health and Safety Code Section 25249.5 et seq.)). The preceding to the contrary notwithstanding, the provisions of this Section 5.2(a) and Section 5.2(b) below shall not be applicable to any material breach by Seller of any of the representations and warranties made by Seller under the terms of this Agreement, provided Buyer asserts any claim of such breach of any of Seller's representations or warranties hereunder within one year following the Close of Escrow.

(b) In connection with subsection (a) above, Buyer expressly waives the benefits of Section 1542 of the California Civil Code, which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

(c) The foregoing release shall not apply, however, to any breach of Seller's representations and warranties or to fraud committed by Seller.

(d) Buyer hereby specifically acknowledges that Buyer has carefully reviewed this Section 5.2 and Section 5.1 above, and discussed their import with legal counsel, is fully aware of their consequences, and that the provisions of this Section 5.2 and Section 5.1 above are a material part of the Agreement and shall survive the Close of Escrow hereunder.

Buyer's Initials: DMS

ARTICLE 6
RISK OF LOSS AND INSURANCE PROCEEDS

6.1 Notice.

In the event of any loss or damage to the Property, or if Seller becomes aware of any contemplated action for condemnation or the exercise of eminent domain in connection with the Property, Seller shall immediately deliver written notice thereof to Buyer.

6.2 Minor Loss.

Buyer shall be bound to purchase the Property for the full Purchase Price as required by the terms hereof, without regard to the occurrence or effect of any damage to the Property or destruction of any improvements thereon or condemnation of any portion of the Property, provided that: (a) the cost to repair any such damage or destruction, does not exceed One Hundred Thousand and 00/100 Dollars ($100,000)**,** (b) the loss due to a contemplated condemnation does not materially impair the intended use of the Property, and (c) upon the

Closing, unless Seller elects to perform any necessary repairs (in which event the Closing hereunder shall be extended, if necessary, a reasonable time in order to allow for the completion of the repairs), there shall be a credit against the Purchase Price due hereunder equal to (x) the insurance proceeds paid to Seller with respect to the damage to the Property, plus the amount of any deductible under Seller's policy of property insurance, less any portion of such proceeds used to pay for repair of the damage or destruction, or (y) any condemnation awards actually collected by and paid to Seller as a result of any condemnation of the Property, or applicable portion thereof. If the insurance proceeds or condemnation award, if applicable, have not been collected as of the Closing, then Seller shall assign to Buyer at Close of Escrow all of Seller's right to receive any insurance proceeds or condemnation award with respect to the damage to or condemnation of the Property, or applicable portion thereof less any sums needed to reimburse Seller for sums expended by Seller to repair or restore the Property, and Buyer shall be credited at Closing in the amount of any deductible under Seller's policy of property insurance. For purposes of this Section 6.2 and Section 6.3 below, the cost to repair any damage or destruction to the Property shall be reasonably determined by a general contractor selected by Seller and reasonably approved by Buyer, and any diminution in value arising from a condemnation of a portion of the Property shall be determined by an appraiser selected by Seller and reasonably approved by Buyer.

6.3 Major Loss.

If the cost to repair the damage or destruction as specified above exceeds One Hundred Thousand and 00/100 Dollars ($100,000) or the loss due to a condemnation materially impairs the intended use of the Property, then Buyer may, at its option to be exercised within ten (10) business days after Seller's delivery of notice of the occurrence of the damage or destruction or the contemplation of the commencement of condemnation proceedings, either (a) terminate this Agreement by giving written notice to Seller within such ten (10) business day period, or (b) consummate the purchase of the Property for the full Purchase Price as required by the terms hereof. If Buyer so terminates this Agreement, then the Deposit paid by Buyer shall be returned to Buyer and neither party shall have any further rights or obligations hereunder except as provided expressly provided herein. If Buyer elects to proceed with the purchase or fails to give Seller notice within the above-referenced ten (10) day period of Buyer's termination of this Agreement, then upon the Closing, there shall be a credit against the Purchase Price due hereunder equal to the amount of the deductible under Seller's policy of property insurance plus any insurance proceeds or condemnation awards collected by Seller as a result of any such damage or destruction or condemnation under any policy of insurance carried by Seller with respect to such loss, less any sums expended toward the restoration or repair of the Property. If the proceeds or awards have not been collected as of the Closing, then such proceeds or awards shall be assigned to Buyer at Closing less any sums needed to reimburse Seller for sums expended to repair or restore the Property.

ARTICLE 7
BROKERS AND EXPENSES

7.1 Brokers.

Seller represents and warrants to Buyer that it has not engaged or retained any broker or finder in connection with the transaction contemplated by this Agreement to whom a commission may be owed other than NAI BT Commercial ("BT"). Seller hereby discloses to Buyer that Khalil Jenab, one of the trustees of one of the trusts comprising Seller, is a licensed California real estate agent acting as Seller's agent in the sale transaction described herein. Buyer represents and warrants to Seller that it has not engaged any broker or finder in connection with the transaction contemplated by this Agreement to whom a commission may be owed other than Equus Associates ("Equus"). If, and only if, escrow closes hereunder, Seller agrees to pay to Equus a real estate commission equal to three percent (3%) of the gross sales price. Seller agrees to pay to BT a real estate commission pursuant to a separate agreement. If any person or entity other than BT or Equus brings a claim for a commission or finder's fee based upon any contact, dealings or communication with Buyer or Seller, then the party through whom such person makes his claim shall indemnify, hold harmless and defend the other party (the "Indemnified Party") from any and all costs, damages, claims, liabilities, losses, or expenses, (including without limitation, reasonable attorneys' fees and disbursements) incurred by the Indemnified Party in defending against the claim. The provisions of this Section 7.1 shall survive the Closing or, if the purchase and sale is not consummated, any termination of this Agreement.

ARTICLE 8
AGREEMENTS AFFECTING THE PROPERTY

8.1 <u>Buyer's Approval of New Agreements Affecting the Property</u>.

(a) Between the Effective Date and the Closing (or earlier termination of this Agreement), Seller shall not, except as otherwise expressly permitted in this Section 8.1(a), enter into any agreement affecting the Property, or portion thereof, or extend, renew, modify or terminate any agreement affecting the Property, or portion thereof, without first obtaining Buyer's approval, which will not be unreasonably withheld, conditioned or delayed. If Buyer fails to give Seller notice of its approval or disapproval of any such proposed action within five (5) business days after Seller delivers written notice to Buyer of Seller's desire to take such action, then Buyer shall be deemed to have given its approval.

(b) Between the Effective Date of this Agreement and the Close of Escrow hereunder or earlier termination of this Agreement, Seller shall not enter into any lease or third party occupancy agreement covering the Property, or any portion thereof.

8.2 <u>Management</u>.

Prior to the Close of Escrow hereunder or earlier termination of this Agreement, Seller shall manage the Property in the same manner in which Seller has been managing the Property during the period of its ownership of the Property; except that nothing stated herein shall obligate

Seller to undertake, or cause to be undertaken, any repairs or capital expenditures or capital or structural improvements with respect to the Property or the Improvements thereon

ARTICLE 9
CLOSING AND ESCROW

9.1 <u>Escrow Instructions</u>.

Seller and Buyer agree to execute such reasonable escrow instructions as may be appropriate to enable the Title Company to comply with the terms of this Agreement and to consummate the sale of the Property to Buyer pursuant to the terms and conditions of this Agreement**.** Any escrow instructions entered into by Seller and/or Buyer shall be consistent with the terms of this Agreement.

9.2 <u>Closing</u>.

The Closing hereunder shall be held at the offices of the Title Company, subject to the satisfaction (or waiver by such party in whose favor such conditions exist) of the conditions set forth in Sections 2.1 and 2.3 above, within fifteen (15) days after expiration of the later of the Feasibility Period or the Title Approval Period (the "Closing Date"). Time is of the essence as to the closing hereunder. Except as otherwise expressly provided in this Section 9.2, the Closing Date may not be extended without the prior written approval of both Seller and Buyer (which approval may be given or withheld in the party's sole discretion). The Close of Escrow hereunder shall mean the date that Seller's Deed conveying title to the Property is recorded in the Official Records of Santa Clara County and Seller has received the Purchase Price less Seller's share of closing costs and other charges allocated to Seller hereunder.

9.3 <u>Deposit of Documents</u>.

(a) Prior to release to Seller of the Deposit, Seller shall deposit into escrow the following items:

(i) the duly executed and acknowledged Deed, in the form attached hereto as <u>Exhibit C</u>, conveying the Property to Buyer;

(ii) a duly executed non-foreign affidavit in compliance with Section 1445 of the Internal Revenue Code of 1986, as amended; and

(iii) a duly executed Withholding Exemption Certificate in compliance with California law (From 593-C or its equivalent).

(b) At least one (1) business day prior to the Closing, Buyer shall deposit into escrow the funds necessary to close this transaction.

(c) Buyer and Seller shall each deposit such other instruments as are reasonably required by the Title Company or otherwise required to close the escrow and consummate the purchase and sale of the Property in accordance with the terms hereof

9.4 Prorations and Closing Costs.

(a) Real property taxes and assessments, water, sewer and utility charges (calculated on the basis of the period covered) and any other expenses normal to the operation and maintenance of the Property shall all be prorated as of the Closing, on the basis of a 360-day year. Seller and Buyer hereby agree that if any of the aforesaid prorations are not calculated accurately on the Closing Date, then the same shall be recalculated as soon as reasonably practicable after the Closing Date and either party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party, and the releases and waivers set forth in Article 5 shall not apply thereto.

(b) Seller shall pay any County transfer taxes incurred in connection with the conveyance of the Property from Seller to Buyer. Seller shall pay the premium for that portion of the Title Policy that is allocable to a CLTA policy of title insurance. The cost of Buyer's title endorsements, if any, and the excess cost of an ALTA extended owner's policy if one is issued in connection with this transaction also shall be paid by Buyer. The escrow fees incurred in connection with the consummation of the transaction described herein and any other closing costs shall be shared by the parties as is customary in Santa Clara County, California. Except as otherwise provided in Section 12.6 below, each party shall bear its own costs for legal counsel incurred in this transaction.

9.5 Possession.

If escrow closes hereunder, Seller shall deliver possession of the Property to Buyer on the Closing Date.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.1 Seller's Representations and Warranties.

Seller hereby represents and warrants to Buyer the matters set forth below, and states that these representations are true and correct as of the date hereof and as of the Close of Escrow:

(a) Authority. Seller has full right and power and authority to enter into and perform this Agreement and to sell the Property to Buyer. This Agreement has been duly and validly authorized, executed and delivered by Seller. All the documents executed by Seller in connection with the closing under this Agreement will be duly authorized, executed and delivered by Seller. The person(s) executing this Agreement on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions of this Agreement.

(b) Solvency. Seller has not (i) made a general assignment for the benefit of creditors (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of such person's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

(c) Other Agreements; Third Party Consents. To Seller's current actual knowledge, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, will not conflict with or constitute a default under any of the terms, conditions or provisions of any other agreement to which Seller is a party or by which Seller is bound. To Seller's current actual knowledge, no consents or waivers of or by any third party are necessary to permit the consummation by Seller of the transaction contemplated by this Agreement.

(d) Leases. To Seller's knowledge, there are no leases, licenses, occupancy agreements, or any unrecorded possessory interests or unrecorded easements affecting the Property.

(e) Taxes and Assessments. True and complete copies of the most recent real estate tax bills for the Property have been delivered to Buyer. Except for Proposition 8 tax appeals filed by Seller with respect to the Property, Seller has not filed, and has not retained anyone to file, notices of protests against, or to commence action to review, real property tax assessments against the Property (it being understood and agreed that any tax refunds allocable to the period prior to the Closing shall be the property of Seller and Buyer shall not have any interest in such refunds).

(f) Condemnation. To Seller's knowledge, no condemnation proceedings relating to the Property are pending or threatened.

(g) Insurance. To Seller's knowledge, Seller has not received any written notice from any insurance company or board of fire underwriters of any defects or inadequacies in or on the Property or any part or component thereof that would materially and adversely affect the insurability of the Property or cause any material increase in the premiums for insurance for the Property that have not been cured or repaired.

(h) Compliance. Seller has not received any written notice that the Property or the operations thereof are not in compliance with applicable laws, ordinances, codes, resolutions, rules, regulations, judgments, orders, covenants, conditions, restrictions, whether federal, state, local, foreign, public or private, including, without limitation, the Americans with Disabilities Act of 1990 and all regulations promulgated pursuant thereto. Seller has not received any request, either formal or informal, oral or written, that Seller modify or terminate any use of the Property. To Seller's knowledge, there are no pending or contemplated zoning or other land use regulation proceedings which would affect the use, operation or value of the Property.

(i) Documents. To Seller's knowledge, all of the documents which have been delivered or made available to Buyer by or on behalf of Seller (i) are true, correct and complete copies of what they purport to be, (ii) represent truly the factual matters stated therein, (iii) are in full force and effect except to the extent any such document(s) has expired in accordance with its respective terms, (iv) have not been modified, except as set forth therein, and (v) do not omit any information required to make the submission thereof accurate and complete in all material respects. Notwithstanding the foregoing, Seller makes no representation nor warranty that any reports, opinions, or documents prepared by any third party ("**Third Party Materials**") are true or correct, nor shall Seller have any liability arising therefrom.

(j) Litigation. To Seller's knowledge, there are no actions, suits, proceedings, judgments, orders, decrees or governmental investigations pending or threatened against the Property or Seller which could affect the Property or the purchase, development, use or enjoyment thereof by Buyer.

(k) Agreements with Governmental Authorities. To Seller's knowledge, there are no agreements with governmental authorities, agencies, utilities or quasi-governmental entities which affect the Property and to which Seller is a party except those agreements which are identified in the Preliminary Title Report and those matters which are disclosed by the Survey.

(l) No Consent. No consent from or notice to any federal, state or local court or federal, state, or local government bureau, department, commission or agency, or any other person or entity whether or not governmental in character, is required to permit Seller to execute, deliver and perform this Agreement in accordance with its terms, other than consents which have been obtained or will be obtained by Closing.

(m) Title to the Property. To Seller's knowledge, there are no unrecorded or undisclosed documents or other matters which affect title to the Property. No person holding a security interest in the Property or any part thereof has the right to consent or deny consent to the sale of the Property as contemplated herein, and Seller has the right to pay off such person and to remove all such liens as of the Closing Date.

(n) Hazardous Materials.

(i) Definitions. For purposes of this Agreement:

A. "**Environmental Laws**" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601 et. seq., the Hazardous Materials Transportation Act, 49 U.S.C. 1801 et seq., the Clean Water Act, 33 U.S.C. Sections 1251 et seq., as said laws have been supplemented or amended to date, the regulations promulgated pursuant to said laws and any other federal, state or local law, statute, rule, regulation or ordinance which regulates or proscribes the use, storage, disposal, presence, cleanup, transportation or Release or threatened Release into the environment of Hazardous Material.

B. "**Hazardous Material**" means any substance which is (i) designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted, (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, (iii) PCBs, (iv) asbestos, (v) flammable explosives, (vi) infectious materials, (vii) radioactive materials, (viii) carcinogenic, or (iv) a reproductive toxicant. A "**Hazardous Material Condition**" means any presence in, on, under or about the Property of any Hazardous Material.

(ii) Environmental Condition. Except as may be set forth in any of the Documents identified on Exhibit B in Seller's possession or control, Seller has no knowledge of

any Hazardous Material Condition in violation of any Environmental Laws affecting the Property.

(iii) Reports. There are no reports, data, surveys, maps, assessments or other documents in the possession or control of Seller or, to Seller's knowledge, in the possession or control of Seller's contractors or consultants, concerning the environmental condition of the Property or any Hazardous Material Conditions on or under the Property or in the ambient air at the Property, except for the Phase I Report referenced in Exhibit B and any others delivered (or to be delivered) to Buyer pursuant to this Agreement.

(o) OFAC. Neither Seller, nor any of Seller's owners, or any of their respective trustees, is named as a "Specially Designated National and Blocked Person" as designated by the United States Department of the Treasury's Office of Foreign Assets Control or as a person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; (ii) Seller is not owned or controlled, directly or indirectly, by the government of any country that is subject to a United States Embargo; and (iii) Seller is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by the United States Treasury Department as a "Specially Designated National and Blocked Person," or for or on behalf of any person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; and (iv) Seller is not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation.

For purposes of the representations and warranties referred to above, the term "to Seller's current actual knowledge," or words to like effect, shall mean the current actual knowledge (without any inquiry or investigation or duty of inquiry or investigation) of Khalil Jenab. Seller hereby represents and warrants that Khalil Jenab is the person most familiar with the condition and operation of the Property and the matters which are the subject of the foregong representations and warranties. In the event of any breach of any representation or warranty by Seller above, then Khalil Jenab shall not be personally liable for such breach and recourse may not be had against Khalil Jenab personally except to the extent that Khalil Jenab would otherwise have liability as one of the Sellers pursuant to this Agreement.

10.2 New Information.

The preceding notwithstanding, Seller shall promptly advise Buyer if Seller acquires any information following the Effective Date which would make any of the representations and warranties set forth in Section 10.1 above untrue; provided that it shall not be a breach of such representation or warranty if the new information which renders the representation or warranty untrue was not known by Seller as of the Effective Date. If Seller or Buyer acquires any new information following the Effective Date which would make any of the representations or warranties untrue and such new information materially and adversely affects the value or Buyer's use of the Property intended as of the Effective Date, then, as Buyer's sole remedy, Buyer shall have the right to terminate this Agreement by delivery of written notice to Seller and, in the event of such termination, all rights and obligations under this Agreement (except those that expressly survive the termination of this Agreement) shall cease and the Deposit paid by

Buyer hereunder shall be promptly returned to Buyer as Buyer's sole remedy; provided, however, if the new information causing any representation or warranty to be untrue is caused by an act(s) of Buyer or any of the agents, employees, contractors or other representatives of Buyer, then Buyer shall not have the right to terminate this Agreement or receive the return of Buyer's Deposit as provided in this Section. The provisions of the immediately preceding sentence shall survive the Close of Escrow.

10.3 Buyer's Representations and Warranties.

Buyer hereby represents and warrants to Seller the matters set forth below, and states that these representations are true and correct as of the date hereof and as of the Close of Escrow:

(a) Organization and Authority. Buyer is duly formed, validly existing and is in good standing under the laws of the State of Delaware and is qualified to transact intrastate business in the State of California. Buyer has full right and power and authority to enter into and perform this Agreement and to purchase the Property from Seller. This Agreement has been duly and validly authorized, executed and delivered by Buyer. All the documents executed by Buyer in connection with the closing under this Agreement will be duly authorized, executed and delivered by Buyer. The person(s) executing this Agreement on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions of this Agreement.

(b) Solvency. Buyer has not (i) made a general assignment for the benefit of creditors (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of such person's assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Buyer's assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally.

(c) Other Agreements; Third Party Consents. To Buyer's current actual knowledge, the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, will not conflict with or constitute a default under any of the terms, conditions or provisions of any other agreement to which Buyer is a party or by which Buyer is bound. To Buyer's current actual knowledge, no consents or waivers of or by any third party are necessary to permit the consummation by Buyer of the transaction contemplated by this Agreement.

(d) OFAC. Neither Buyer, nor any of Buyer's officers or directors is named as a "Specially Designated National and Blocked Person" as designated by the United States Department of the Treasury's Office of Foreign Assets Control or as a person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; (ii) Buyer is not owned or controlled, directly or indirectly, by the government of any country that is subject to a United States Embargo; and (iii) Buyer is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by the United States Treasury Department as a "Specially Designated National and Blocked Person", or for or on behalf of any person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; and that Buyer is

not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation.

10.4 Survival.

The representations and warranties set forth in this Agreement (excepting therefrom the representations or warranties set forth in Section 10.1(a) and 10.3(a) above, which shall survive the Close of Escrow indefinitely) shall survive the Close of Escrow for a period of one (1) year following Closing. Buyer shall be deemed to have waived its right to bring a claim against Seller based on a breach of any representation or warranty set forth in this Agreement (other than those set forth in Sections 10.1(a) through 10.3(a) above) unless Buyer shall have asserted a claim against Seller in writing based on such breach of such applicable representation or warranty within one (1) year following the Close of Escrow. Seller shall be deemed to have waived its right to bring a claim against Buyer based on a breach of any representation or warranty set forth in Section 10.3(b) or Section 10.3(c) above unless Seller shall have asserted a claim against Buyer in writing based on such breach of such applicable Section within one (1) year following the Close of Escrow. Seller shall have no liability to Buyer for a breach of any representation or warranty set forth in Section 10.1 unless the valid claims for all such breaches collectively aggregate more than Fifteen Thousand Dollars ($15,000.00), and unless written notice containing a description of the specific nature of such breach shall have been given by Buyer to Seller prior to the expiration of the aforesaid one (1) year survival period and any action shall have been commenced by Buyer against Seller within one (1) year of Closing. The provisions of this Section 10.4 shall survive the Close of Escrow hereunder.

ARTICLE 11
DEFAULTS

11.1 Buyer's Default.

(a) Default. Buyer shall be deemed to be in default under this Agreement if Buyer fails, for reasons other than Seller's default hereunder or the failure of a condition precedent to Buyer's obligation to perform hereunder, to meet, comply with or perform any covenant, agreement or obligation on Buyer's part required within the time limits and in the manner required in this Agreement or there shall have occurred a material breach of any representation or warranty made by Buyer.

(b) Liquidated Damages. If Buyer defaults in the obligation to purchase the Property, Seller shall be entitled to receive and retain the Deposit as liquidated damages pursuant to Section 1.2(b)(iii) of this Agreement.

11.2 Seller's Default.

(a) Default. Seller shall be deemed to be in default under this Agreement if Seller fails, for a reason other than Buyer's default hereunder or the failure of a condition precedent to Seller's obligation to perform hereunder, to meet, comply with, or perform any covenant, agreement or obligation on its part required within the time limits and in the manner required in the Agreement, or there shall have occurred a material breach of any representation or warranty made by Seller.

(b) Remedies Before Closing. If Seller shall be deemed in default under Section 11.2(a) at or before Closing, and Buyer does not waive such default, Buyer may pursue one of the following remedies, each of which shall be Buyer's sole and exclusive remedy:

(i) Enforce specific performance of this Agreement against Seller, in which case Buyer shall have no claim for damages or any other remedy against Seller; provided, however, if Buyer fails to file suit for specific performance against Seller in a court having jurisdiction in Santa Clara County on or before the date ninety (90) days following the date upon which the Closing hereunder was to have occurred, then Buyer shall be deemed to have elected to terminate this Agreement and receive back the return of its Deposit as provided in Section 11.2(b)(ii) below. Buyer shall only be entitled to bring a specific performance action against Seller if Seller breaches its obligation to convey the Property to Buyer.

(ii) Terminate this Agreement by written notice delivered to Seller on or before the Closing Date, and Buyer shall be entitled to the return of its Deposit and any actual damages incurred, provided that such damages shall in no event exceed Two Hundred Thousand Dollars ($200,000).

(c) Remedies After Closing.

(i) If the Closing has occurred, Buyer shall not be entitled to bring a claim against Seller unless Buyer establishes that Seller shall have materially breached a representation or warranty contained in Section 10.1 or any other provision of this Agreement that has not terminated, in which case, subject to Section 10.4 above, Buyer may seek its actual damages by reason thereof (not to exceed Two Hundred Thousand Dollars ($200,000.00), but shall not be entitled to consequential, punitive or exemplary damages. All other claims of Buyer against Seller shall be deemed waived to the extent provided in Section 5.2 above.

(ii) Buyer shall not be entitled to bring any claim against Seller for misrepresentation or breach of warranty if and to the extent Buyer or Buyer's agents or employees had actual knowledge before Closing of the existence of any condition, fact or circumstance giving rise or relating to such claim, or with respect to any information expressly described in or disclosed by any report delivered to Buyer.

(d) Termination Procedure. Upon termination of this Agreement in accordance with this Section 11.2, the Deposit made by Buyer hereunder shall be promptly returned to Buyer. Seller shall be responsible for all cancellation charges and escrow charges required to be paid to the Title Company. Buyer acknowledges and agrees that the provisions of Section 11.2 of this Agreement were specifically bargained for between Seller and Buyer and are reasonable.

(e) Limitation of Liability. Notwithstanding anything to the contrary contained in this Agreement, Buyer agrees that its recourse against Seller under this Agreement or under any other agreement, document, certificate or instrument delivered by Seller to Buyer, or under any law applicable to the Property or this transaction, shall be strictly limited to Seller's interest in the Property (or upon consummation of the transaction contemplated hereunder, to the net proceeds of the sale thereof actually received by Seller), and that in no event shall Buyer seek

or obtain any recovery or judgment against any of Seller's other assets (if any) or against any of the individual trustees of the trusts comprising Seller.

Buyer's Initials: DMS

ARTICLE 12
MISCELLANEOUS

12.1 Notices. Any notices required or permitted to be given hereunder shall be given in writing and delivered by U.S. Mail, registered or certified, return receipt requested, postage prepaid, or by overnight delivery service which provides a receipt of delivery, or by personal delivery with an executed receipt of delivery, or by facsimile transmission. Notices and/or demands shall be addressed as follows:

To Buyer:
GSI Technology, Inc.
2360 Owen Street
Santa Clara, CA 95054
Attn: Doug Schirle, Chief Financial Officer
Fax No.: (408) 980-8377

With a copy to:
Equus Associates
333 Cobalt Way, Ste. 107
Sunnyvale, CA 94085
Attn: Michael Bini
Fax No.: (408) 245-4008

To Seller:
James S. Lindsey
18 Cypress Avenue
Kentfield, CA 94904
Fax No.: (415) 453-8465

and

Kalil Jenab
c/o NAI BT Commercial

1950 University Ave, Suite 220
East Palo Alto, CA 94303
Fax No.: (408) 200-8800

or to such other address as either party may from time to time specify in writing to the other party. Notices as aforesaid shall be effective upon actual receipt or first refused attempt of delivery as shown on return receipt or receipt of delivery if delivered by courier or U.S. Mail, and upon confirmation of transmission by facsimile if transmitted before 5:00 p.m. PST on regular business days (and if transmitted after 5:00 p.m. PST or on a non-business day, then deemed received on the next succeeding business day) provided such facsimile notice or demand

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is also sent by one of the other methods of delivery set forth above on the same date or next succeeding business day as the facsimile notice is sent.

12.2 Entire Agreement.

This Agreement, together with the Exhibits hereto, contains all representations, warranties and covenants made by Buyer and Seller and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Agreement together with the Exhibits hereto.

12.3 Confidentiality.

Neither Seller nor Buyer shall make any public announcement or disclosure of Confidential Information, as defined in Section 2.1(c) to outside brokers or third parties before the Close of Escrow, without the specific prior written consent of the other, except for such disclosures to the parties' lenders, partners, members, officers, trustees, employees, agents (including either party's broker in this transaction), consultants, attorneys, accountants, and exchange facilitators as may be necessary to permit each party to perform its obligations hereunder and as required to comply with applicable laws; provided, however, nothing stated herein shall be construed to allow Buyer to release the economic terms of this Agreement to any broker or other party, except as provided for in this Section 12.3. Notwithstanding anything to the contrary contained herein, the foregoing covenants made by Buyer and Seller with respect to Confidential Information shall expressly not include (i) any disclosure or dissemination of portions of the Confidential Information to the extent legally compelled to do so or otherwise required by law, statute, court order or subpoena, or (ii) any information or Documents which are public record or the contents of which are otherwise in the public domain or known to third parties. Buyer's obligations under this Section 12.3 shall survive the termination of this Agreement in the event that no Closing takes place.

12.4 Time.

Time is of the essence in the performance of each of the parties' respective obligations contained herein.

12.5 ALTA Survey.

Without any representations and warranties except set forth in this Agreement, Seller will deliver a copy of an ALTA survey completed by Kier & Wright on October 29, 2008.

12.6 Tax Deferred Exchange.

Each party agrees to reasonably cooperate with the other in the event a party attempts to effectuate a Section 1031 exchange with respect to the Property. Such reasonable cooperation shall not require the cooperating party to obtain title to any exchange or target property, execute any promissory note or other document or instrument which would or could impose personal liability upon such cooperating party, or incur any additional expense, cost or liability whatsoever (including, but not limited to, liabilities or warranties of title, or assumption of

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indebtedness) with regard to the Section 1031 exchange or exchanges. If Buyer is the party desiring to effect a Section 1031 exchange with respect to the Property, Seller agrees to convey title to the Property at Closing to a qualified intermediary designated by Buyer if so requested by Buyer in writing. The party attempting to effectuate a Section 1031 exchange hereby agrees to indemnify, defend and hold harmless the other party from any claim, damage, liability, demand, cause of action, loss, cost, or expense (including, without limitation, reasonable attorney's fees) the other party may suffer or incur as a result of the cooperating party's participation in the aforesaid exchange or exchanges. Notwithstanding the foregoing, a cooperating party's agreement hereunder to participate in a tax-deferred exchange or exchanges shall not extend the closing date hereunder. A cooperating party in such 1031 exchange shall not, by this Agreement or acquiescence to the exchange contemplated by this Section 12.6, (x) have its rights under this Agreement affected or diminished in any manner, or (y) be responsible for compliance with or be deemed to have warranted to the other party that any exchange in fact complies with Section 1031 of the Internal Revenue Code of 1986, as amended. The obligations of Seller and Buyer under this Section 12.6 shall survive the Close of Escrow.

12.7 Assignment.

(a) This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

(b) Except in the event of an assignment to a qualified intermediary pursuant to Section 12.6 above, Buyer shall not assign or transfer this Agreement or any of its rights or obligations under this Agreement to any person or entity without first obtaining Seller's written consent thereto (which consent may be given or withheld in Seller's sole and subjective discretion); provided, however, Buyer shall have the right, without obtaining Seller's written consent but upon written notice given to Seller not later than ten (10) days prior to the scheduled close of escrow hereunder (which notice shall include the name of Buyer's assignee and the signature block for such assignee), to assign this Agreement to an entity controlled by, controlling or in common control with Buyer or a principal of Buyer. Any assignee of Buyer's rights or obligations hereunder or in this Agreement, or any portion thereof, shall, as a condition to the effectiveness of such assignment, expressly assume in writing all of Buyer's obligations under this Agreement and agree in writing to be bound by all

of the terms of this Agreement as if such assignee had executed this Agreement as the original Buyer. Notwithstanding such assignment, Buyer shall not be released or relieved of any of its obligations under this Agreement.

12.8 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

12.9 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12.10 Interpretation of Agreement.

Notwithstanding that Seller's legal counsel has drafted this Agreement, the doctrine or rule of construction that ambiguities in a written instrument are to be construed against the drafting party shall not be employed in connection with this Agreement. This Agreement shall be construed in accordance with its fair meaning. The article, section and other headings of this Agreement are for convenience of reference only and shall not be construed to affect the meaning of any provision contained herein. Where the context so requires, the use of the singular shall include the plural and vice versa and the use of the masculine shall include the feminine and the neuter. The term "person" shall include any individual, partnership, joint venture, corporation, trust, unincorporated association, limited liability company, any other entity and any government or any department or agency thereof, whether acting in an individual, fiduciary or other capacity.

12.11 Authority.

Each party represents and warrants to the other that this Agreement and all documents executed by the representing party which are to be delivered to the other party at Closing (a) are or at the time of Closing will be duly authorized, executed and delivered by the representing party, and (b) are or at the time of Closing will be legal, valid and binding obligations of the representing party. The representations and warranties contained in this Section 12.11 shall survive the Closing.

12.12 Amendments.

This Agreement may be amended or modified only by a written instrument signed by Buyer and Seller.

12.13 No Recording.

Neither this Agreement or any memorandum or short form thereof may be recorded by Buyer.

12.14 Further Documents.

In connection with the closing of the transaction described herein, each party agrees to execute and deliver any further documents which may be reasonable and necessary in carrying out the provisions of this Agreement.

12.15 Buyer's Work Product.

If the Closing hereunder does not occur for any reason other than Seller's material breach of this Agreement, then all studies, surveys, reports, test results, analyses, architecture, plans, drawings (including, without limitation CAD drawings), engineering and other work product concerning the Property, or applicable portion thereof, prepared by, for or on behalf of Buyer (collectively, "Buyer's Work Product") shall at the option of Seller, following written request therefor by Seller to Buyer, promptly be delivered and assigned to Seller free and clear of all claims and at no cost, expense or liability to Seller. Buyer's obligation under the immediately

preceding sentence shall survive the termination of this Agreement. Buyer shall not be required to deliver to Seller any internally prepared financial reports or financial analyses concerning the valuation of the Property. Any Buyer's Reports delivered to Seller at Seller's request pursuant to this Section 12.15 shall be delivered by Buyer to Seller without representation or warranty.

[balance of page is intentionally left blank; signature page follows on next page]

The parties hereto have executed this Agreement as of the day and year set forth below.

SELLER:

James S. Lindsey and Sally K. Lindsey, trustees, or their successors, of The Lindsey Family Trust dated May 25, 2004.

By: /s/ James S. Lindsey
James S. Lindsey, Trustee

By: /s/ Sally K. Lindsey
Sally K. Lindsey, Trustee

Date: September 22, 2009

Khalil Jenab and Tiffany Renee Jenab, Trustees of the Jenab Family 1997 Trust dated December 11, 1997

By: /s/ Khalil Jenab
Khalil Jenab, Trustee

By: /s/ Tiffany Renee Jenab
Tiffany Renee Jenab, Trustee

Date: September 22, 2009

BUYER:

GSI Technology, Inc., or nominee

By: /s/ Lee-Lean Shu
Name: Lee-Lean Shu
Title: President and Chief Executive Officer

By: /s/ Douglas M. Schirle
Name: Douglas M. Schirle
Title: Chief Financial Officer

Date: September 22, 2009

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Sunnyvale, County of Santa Clara, State of California, described as follows:

Parcel B, as shown on that Parcel Map filed for record in the Office of the Recorder of the County of Santa Clara, State of California on June 6, 1973 in Book 324 of Maps, page 24.

APN: 104-32-029-00

EXHIBIT B

LIST OF DOCUMENTS TO BE DELIVERED OR MADE AVAILABLE TO BUYER

1213 Elko Drive, Sunnyvale, California

August 6, 2009

1) Lease Restoration Invoice from OPI Commercial Builders dated June 15, 2005.

2) The Hartford Flood Policy Declarations, dated September 16, 2004, and a copy of the current policy of property insurance.

3) FEMA Elevation Certificate, dated September 19, 2000.

4) JCP Report, dated October 9, 2008.

5) A current Natural Hazards Disclosure Report from a third party vendor.

6) Appraisal Report prepared by Jotesh (Joe) Bhukhan, dated August 11, 2000.

7) Phase I Environmental Site Assessment prepared by Sierra Environmental, Inc., dated August 16, 2000; and any other environmental or soils report in the possession, custody or control of Seller.

8) Current Preliminary Title Report. (To be delivered within 5 days of the Effective Date).

9) Roof Warranty prepared by Universal Coatings, Inc., dated April 6, 2005; and copies of any reports or records of repair since that date.

10) 1213 Elko Income Report, 2004- present

11) 1213 Elko Expense Report, 2005-present

12) ALTA Land Title Survey by Kier & Wright, dated October 29, 2008.

13) CAD Floor Plan and Site Plan by Kobza & Associates, dated November 6, 2008.

14) Any mechanical, plumbing or electrical plans for the building;

15) Copies of all real estate tax bills for the Property for the last two tax years;

16) Copies of all reports received by Seller within three (3) years prior to the Effective Date from Seller's insurance companies, any governmental agency or any other person or entity, which requires or demands correction of any condition, or requests modification in or termination of any uses of the Property, accompanied by Seller's summary of the present status of any matter noted in any report;

17) Maintenance Records and Contracts. Copies of all maintenance contracts, maintenance records, service records, warranties, and reports pertaining to the roof, HVAC, elevators, plumbing, electrical system, and any other operating system of the Property. In addition, Seller shall authorize Buyer to contact Seller's contractors and consultants and secure from them any such records or reports in the possession thereof.

18) Access Agreements. Copies of all documents affecting title to the Property, including but not limited to easements, licenses, and access agreements permitting any party access to the Property for any reason, which are not of record.

EXHIBIT C

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

, CA
Attention:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Mail Tax Statements to:

, CA
Attention:

The undersigned or its agent declares:

Documentary Transfer Tax is shown on a separate sheet attached to this deed and is not a part of the public record.

____
(Signature of declarant or agent)

A.P.N. 104-32-029

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

JAMES S. LINDSEY AND SALLY K. LINDSEY, TRUSTEES, OR THEIR SUCCESSORS, OF THE LINDSEY FAMILY TRUST DATED MAY 25, 2004, as to an undivided 85% interest and KHALIL JENAB AND TIFFANY RENEE JENAB, AS TRUSTEES OF THE JENAB FAMILY 1997 TRUST DATED DECEMBER 11, 1997, as to an undivided 15% interest ("Grantor")

hereby GRANT(S) to GSI Technology, Inc.

that certain real property in the City of Sunnyvale, County of Santa Clara, State of California, as legally described in Exhibit A attached hereto and made a part hereof.

The grant made herein shall be subject to all matters of record affecting the real property described in Exhibit A attached hereto and made a part hereof, and all matters that would be disclosed by a reasonable inspection and/or survey.

[Grantor signature on next page]

Mail Tax Statements To: Same as above

IN WITNESS WHEREOF, the Grantor has executed this instrument as of the date hereinafter written.

Dated: , 2009

GRANTOR:

James S. Lindsey and Sally K. Lindsey, trustees, or their successors of The Lindsey Family Trust dated May 24, 2004.

By:
James S. Lindsey, Trustee

By:
Sally K. Lindsey, Trustee

Khalil Jenab and Tiffany Renee Jenab, Trustees of the Jenab Family 1997 Trust dated December 11, 1997

By:
Khalil Jenab, Trustee

By:
Tiffany Renee Jenab, Trustee

DO NOT RECORD

FILOR REQUESTS
DO NOT RECORD STAMP VALUE

DECLARATION OF TAX DUE: SEPARATE PAPER:
(Revenue and Taxation Code 11932-11933)
NOTE: This Declaration is not a public record

DOCUMENT #

Property located in:

o Unincorporated

x City of Sunnyvale

APN: 104-32-029-00

DOCUMENTARY TRANSFER TAX
$

x Computed on full value

o Computed on full value less liens or encumbrances remaining at the time of conveyance

CITY CONVEYANCE TAX
$

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Date

Signature

Print Name

For (Firm Name)

EXHIBIT A TO GRANT DEED

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Sunnyvale, County of Santa Clara, State of California, described as follows:

Parcel B, as shown on that Parcel Map filed for record in the Office of the Recorder of the County of Santa Clara, State of California on June 6, 1973 in Book 324 of Maps, page 24.

APN: 104-32-029-00

STATE OF CALIFORNIA
COUNTY OF } ss.

On , before me, , Notary Public, personally appeared who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing is true and correct.

WITNESS my hand and official seal.

Signature: ______________________________ [Seal]

EXHIBIT D

LIST OF CONTRACT RIGHTS

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lee-Lean Shu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSI Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2009

/s/ Lee-Lean Shu

Lee-Lean Shu
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas M. Schirle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSI Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2009

/s/ Douglas M. Schirle

Douglas M. Schirle,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GSI Technology, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee-Lean Shu, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 16, 2009

/s/ Lee-Lean Shu

Lee-Lean Shu
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of GSI Technology, Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas M. Schirle, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

November 16, 2009

/s/ Douglas M. Schirle

Douglas M. Schirle
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.