

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 28, 2001

or

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: _____

MARVELL TECHNOLOGY GROUP LTD.
(Exact name of registrant as specified in its charter)

Bermuda	77-0481679
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4th Floor, Windsor Place, 22 Queen Street, P.O. Box HM 1179,
Hamilton, HM EX, Bermuda
(Address, including Zip Code, of Principal Executive Offices)

(441) 296-6395
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 No

Shares Outstanding of the Registrant's Common Stock

Class	Outstanding at April 28, 2001
Common stock, \$0.002 par value	115,486,942

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MARVELL TECHNOLOGY GROUP LTD.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	APRIL 30, 2001 -----	JANUARY 31, 2001 -----
Current assets:		
Cash and cash equivalents	\$ 161,270	\$ 184,128

Short-term investments	36,939	39,935
Accounts receivable, net of allowances of \$1,257 and \$1,218	38,191	37,543
Inventory, net	24,256	30,924
Prepaid expenses and other current assets	9,067	7,717
Deferred income taxes	3,762	3,762
	-----	-----
Total current assets	273,485	304,009
Property and equipment, net	35,002	31,184
Goodwill and acquired intangible assets	1,996,331	2,100,839
Other noncurrent assets	11,894	11,454
	-----	-----
Total assets	\$ 2,316,712	\$ 2,447,486
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 22,495	\$ 24,818
Accrued liabilities	7,089	9,521
Accrued employee compensation	9,584	7,802
Accrued acquisition costs	444	29,530
Income taxes payable	10,819	9,998
Deferred revenue	6,933	6,516
Capital lease obligations	22	37
	-----	-----
Total current liabilities	57,386	88,222
Long-term liabilities	2,564	2,598
	-----	-----
Total liabilities	59,950	90,820
	-----	-----
Shareholders' equity:		
Common stock, \$0.002 par value; 242,000,000 shares authorized; 115,486,942 and 115,337,133 shares issued and outstanding	231	231
Additional paid-in capital	2,618,418	2,617,490
Deferred stock-based compensation	(24,000)	(28,113)
Accumulated other comprehensive income	40	19
Retained earnings (accumulated deficit)	(337,927)	(232,961)
	-----	-----
Total shareholders' equity	2,256,762	2,356,666
	-----	-----
Total liabilities and shareholders' equity	\$ 2,316,712	\$ 2,447,486
	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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MARVELL TECHNOLOGY GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED APRIL 30,	
	2001	2000
	-----	-----
Net revenue	\$ 64,230	\$ 29,664
Operating costs and expenses:		
Cost of goods sold (1)	30,161	13,180
Research and development (2)	20,066	6,118
Selling and marketing (3)	9,545	4,084
General and administrative (4)	2,985	1,504
Amortization of stock-based compensation	4,113	2,261
Amortization of goodwill and acquired intangible assets	104,508	--
	-----	-----
Total operating costs and expenses	171,378	27,147
	-----	-----
Operating income (loss)	(107,148)	2,517

Interest and other income, net	2,967	240
	-----	-----
Income (loss) before income taxes	(104,181)	2,757
Provision for income taxes	785	689
	-----	-----
Net income (loss)	\$ (104,966)	\$ 2,068
	=====	=====
Net income (loss) per share:		
Basic	\$ (0.93)	\$ 0.04
	=====	=====
Diluted	\$ (0.93)	\$ 0.02
	=====	=====
Weighted average shares:		
Basic	112,517	46,493
	=====	=====
Diluted	112,517	84,796
	=====	=====

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- (1) Excludes amortization of stock-based compensation of \$82 and \$114 for the three months ended April 30, 2001 and 2000.
 - (2) Excludes amortization of stock-based compensation of \$2,693 and \$922 for the three months ended April 30, 2001 and 2000.
 - (3) Excludes amortization of stock-based compensation of \$727 and \$1,094 for the three months ended April 30, 2001 and 2000.
 - (4) Excludes amortization of stock-based compensation of \$611 and \$131 for the three months ended April 30, 2001 and 2000.

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

MARVELL TECHNOLOGY GROUP LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	THREE MONTHS ENDED APRIL 30,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (104,966)	\$ 2,068
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,474	822
Amortization of goodwill and acquired intangible assets	104,508	--
Amortization of deferred stock-based compensation	4,113	2,261
Changes in assets and liabilities:		
Accounts receivable	(648)	1,828
Inventory	6,668	(7,320)
Prepaid expenses and other assets	(1,298)	(1,522)
Accounts payable	(2,323)	4,407
Accrued liabilities	(2,432)	113
Accrued employee compensation	1,782	153
Income taxes payable	821	545
Deferred revenue	417	108
Other	(34)	--
	-----	-----
Net cash provided by operating activities	10,082	3,463
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	--	(3,022)
Purchases of short-term investments	(8,003)	--
Maturities of short-term investments	11,020	--
Purchases of investments	(667)	--
Acquisition costs	(29,086)	--
Purchases of property and equipment	(7,117)	(2,725)
	-----	-----
Net cash used in investing activities	(33,853)	(5,747)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of convertible preferred stock ...	--	98
Proceeds from the issuance of common stock	1,037	1,309
Repurchases of common stock	(109)	--
Principal payments on capital lease obligations	(15)	(20)
	-----	-----
Net cash provided by financing activities	913	1,387
	-----	-----
Net decrease in cash and cash equivalents	(22,858)	(897)
Cash and cash equivalents at beginning of period	184,128	16,600
	-----	-----
Cash and cash equivalents at end of period	\$ 161,270	\$ 15,703
	=====	=====

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Marvell Technology Group Ltd. (the "Company"), a Bermuda exempted company, was incorporated on January 11, 1995. The Company designs, develops and markets integrated circuits utilizing proprietary communications mixed-signal processing, or CMSP, and digital signal processing technologies for communications-related markets. On January 21, 2001, the Company completed its acquisition of Galileo Technology Ltd. ("Galileo"), an Israeli company. Galileo develops high-performance communications internetworking and switching products for the broadband communications market.

BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position as of April 30, 2001 and the results of its operations and its cash flows for the three months ended April 30, 2001 and 2000. These condensed consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements and related notes included in the Company's 2001 Annual Report on Form 10-K. The results of operations for the three months ended April 30, 2001 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

During fiscal 2000, the Company changed its fiscal year-end and quarter-ends to the Saturday nearest January 31, April 30, July 31 and October 31. For presentation purposes, the condensed consolidated financial statements and notes refer to January 31 as the Company's year-end and April 30, July 31 and October 31 as the Company's quarter-ends.

INVENTORY

Inventory is stated at the lower of cost or market, cost being determined

under the first-in, first-out method. Appropriate consideration is given to obsolescence, excessive levels, deterioration and other factors in evaluating net realizable value. Inventory consisted of the following (in thousands):

	April 30, 2001	January 31, 2001
	-----	-----
Work-in-process	\$ 13,833	\$ 15,530
Finished goods	10,423	15,394
	-----	=====
	\$ 24,256	\$ 30,924
	=====	=====

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MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

NET INCOME (LOSS) PER SHARE

The Company reports both basic net income (loss) per share, which is based upon the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net income (loss) per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares.

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Three Months Ended April 30,	
	2001	2000
	-----	-----
Numerator:		
Net income (loss)	\$ (104,966)	\$ 2,068
	=====	=====
Denominator:		
Weighted average shares of common stock outstanding	115,342	49,684
Less: unvested common shares subject to repurchase	(2,825)	(3,191)
	-----	-----
Weighted average shares -- basic	112,517	46,493
	-----	-----
Effect of dilutive securities-		
Unvested common shares subject to repurchase	--	3,191
Convertible preferred stock and warrants	--	26,551
Common stock options and warrants	--	8,561
	-----	-----
Weighted average shares -- diluted	112,517	84,796
	=====	=====
Basic net income (loss) per share	\$ (0.93)	\$ 0.04
	=====	=====
Diluted net income (loss) per share	\$ (0.93)	\$ 0.02
	=====	=====

The following table sets forth potential shares of common stock that are not included in the diluted net loss per share calculation above because to do so would be anti-dilutive for the period presented (in thousands):

	Three Months Ended April 30, 2001 -----
Unvested common shares subject to repurchase	2,825
Common stock options and warrants	9,814

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MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(UNAUDITED)

COMPREHENSIVE INCOME (LOSS)

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. The components of comprehensive income (loss), net of tax, are as follows (in thousands):

	Three Months Ended April 30, -----	
	2001	2000
	-----	-----
Net income (loss)	\$(104,966)	\$ 2,068
Other comprehensive income (loss):		
Unrealized gains on available-for-sale investments ...	21	--
	-----	-----
Total comprehensive income (loss)	\$(104,945)	\$ 2,068
	=====	=====

2. RECENT ACCOUNTING PRONOUNCEMENTS

In the first quarter of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," and Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which establish accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 and SFAS 138 require that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

For a derivative designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

All of the Company's revenues and the majority of its costs are denominated in United States dollars, and to date the Company has not entered into any derivative contracts. The Company adopted SFAS No. 133 and 138 on February 1, 2001. The adoption did not have a significant impact on the Company's consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These forward-looking statements involve a number of risks and uncertainties, including those identified in the section of this Form 10-Q titled "Additional Factors that May Affect Future Results," which could cause actual results to differ from those discussed in the forward-looking statements. Forward-looking statements in this Form 10-Q are identified by words such as "believes," "expects," "anticipates," "intends," "estimates," "should," "will," "may" and similar expressions. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to release publicly the results of any revisions to these forward-looking statements that could occur after the filing of this Form 10-Q. You are urged to review carefully our various disclosures in this Form 10-Q and our other reports filed with the SEC, including our 2001 Annual Report on Form 10-K, that attempt to advise you of the risks and factors that may affect our business.

OVERVIEW

We design, develop and market integrated circuits using proprietary communications mixed-signal and digital signal processing technology for communications-related markets. Our products provide the critical interface between analog signals and the digital information used in computing and communications systems and enable our customers to store and transmit digital information reliably and at high speeds. We were founded in 1995, and our business has grown rapidly since inception. We are a fabless integrated circuit company, which means that we rely on independent, third-party contractors to perform manufacturing, assembly and test functions. This approach allows us to focus on designing, developing and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing products. In January 2001, we acquired Galileo Technology Ltd. in a stock-for-stock transaction for aggregate consideration of \$2.5 billion. Galileo develops high-performance communications internetworking and switching products for the broadband communications market. The acquisition has been accounted for using the purchase method of accounting, and the operating results of Galileo have been included in our consolidated financial statements from the date of acquisition.

We develop integrated circuit solutions for the communications and storage markets. In the communications market, our products include Fast and Gigabit Ethernet physical layer devices, switched Ethernet controllers and processors, system controllers, and wide area network communication controllers. We are also committing resources to the development of wireless local area network products. Our primary customers for our communications products are leading manufacturers of high speed networking equipment.

In the storage market, our products include read channel devices and preamplifiers, as well as integrated products that incorporate the read channel, the disk drive controller and embedded memory functions in one integrated circuit, known as a System-On-Chip. Our customers for our storage products are manufacturers of hard disk drives for the enterprise, mobile and desktop markets. The storage market is highly competitive and is dominated by a small number of large companies. These companies have historically experienced marginal profit levels from sales of their storage products and are under enormous pricing pressure from their customers, which they typically pass through to their integrated circuit suppliers.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. For the three months ended April 30, 2001, approximately 44% of our net revenue was derived from sales to three customers who individually accounted for 10% or more of our net revenue. We expect to continue to experience significant customer concentration in future periods. In addition, a significant portion of our sales are made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 78% of our net revenue for the three months ended April 30, 2001. Because many manufacturers and manufacturing subcontractors of communications and storage devices are located in Asia, we expect that a

significant portion of our revenue will continue to be represented by sales to customers in that region. All of our sales to date have been denominated in United States dollars.

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is generated from these expenditures. We expect to increase our research and development, selling and marketing, and general and administrative expenditures as we seek to expand our operations. We anticipate that the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters would be adversely affected.

During fiscal 2000, we changed our fiscal year-end and quarter-ends to the Saturday nearest January 31, April 30, July 31 and October 31. For presentation purposes, we refer to January 31 as our year-end and April 30, July 31 and October 31 as our quarter-ends.

RESULTS OF OPERATIONS

The following table sets forth, for the three months ended April 30, 2001 and 2000, information derived from our condensed consolidated statements of operations expressed as a percentage of net revenue:

	THREE MONTHS ENDED APRIL 30,	
	2001	2000
	-----	-----
Net revenue	100.0%	100.0%
Operating costs and expenses:		
Cost of goods sold	47.0	44.4
Research and development	31.2	20.6
Selling and marketing	14.9	13.8
General and administrative	4.6	5.1
Amortization of stock-based compensation	6.4	7.6
Amortization of goodwill and acquired intangible assets	162.7	--
	-----	-----
Total operating costs and expenses	266.8	91.5
	-----	-----
Operating income (loss)	(166.8)	8.5
Interest and other income, net	4.6	0.8
	-----	-----
Income (loss) before income taxes	(162.2)	9.3
Provision for income taxes	(1.2)	(2.3)
	-----	-----
Net income (loss)	(163.4)%	7.0%
	-----	-----

THREE MONTHS ENDED APRIL 30, 2001 AND 2000

NET REVENUE. We generally recognize product revenue upon shipment of product to our customers, net of accruals for estimated sales returns and allowances. However, some of our sales are made through distributors under agreements allowing for price protection and rights of return on product unsold by the distributors. We defer recognition of product revenue on sales made through distributors with rights of return until the distributors sell the product to end customers.

Net revenue was \$64.2 million for the three months ended April 30, 2001 and \$29.7 million for the three months ended April 30, 2000. The increase in revenue reflects a significant increase in volume shipments of our communications products, in part due to our acquisition of Galileo. Sales of communications products totaled \$35.6 million in the first quarter of fiscal 2002 compared to \$500,000 in the first quarter of fiscal 2001. Sales of storage products were

\$28.6 million in the first quarter of fiscal 2002 compared to \$29.2 million in the first quarter of fiscal 2001. We expect that revenue from sales of storage products for fiscal 2002 will be relatively consistent with the level of sales of storage products we reported in fiscal 2001. However, we expect significant growth in revenue from sales of communications products in fiscal 2002, in part due to our acquisition of Galileo.

COST OF GOODS SOLD. Cost of goods sold consists primarily of the costs of manufacturing, assembly and test of integrated circuit devices and related overhead costs, and compensation and associated costs relating to manufacturing support, logistics and quality assurance personnel. Gross profit, which equals net revenue less cost of goods sold, as a percentage of net revenue, decreased to 53.0% in the three months ended April 30, 2001

from 55.6% in the three months ended April 30, 2000. The decrease in gross profit in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001 primarily resulted from a decrease in average selling prices for our read channel products due to a product mix change and increased pricing pressures from our customers as well as from our competitors. Average selling prices for our read channel products decreased by 6.3% in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001. Our gross profits may decrease as a percentage of revenue in future periods due to changes in the mix of products sold and increased pricing pressures from our customers and competitors.

RESEARCH AND DEVELOPMENT. Research and development expense consists primarily of compensation and associated costs relating to development personnel, prototype costs, depreciation expenses, and allocated occupancy costs for these operations. Research and development expense was \$20.1 million, or 31.2% of net revenue, for the three months ended April 30, 2001 and \$6.1 million, or 20.6% of net revenue, for the three months ended April 30, 2000. The increase in research and development expense in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001 was primarily due to the hiring of additional development personnel and the addition of Galileo's development personnel which resulted in an increase in salary and related costs of \$8.1 million, increased costs of \$1.4 million for prototype and related product tape-out costs for new product initiatives, increased depreciation expense of \$1.5 million arising from purchases property and equipment and the additional depreciation expense recorded on Galileo's property and equipment, and increased facility and other allocated expenses of \$1.6 million related to our expanding operations. We expect that research and development expense will increase in absolute dollars in future periods as we develop new products and hire additional personnel.

SELLING AND MARKETING. Selling and marketing expense consists primarily of compensation and associated costs relating to sales and marketing personnel, sales commissions, promotional and other marketing expenses, and allocated occupancy costs for these operations. Selling and marketing expense was \$9.5 million, or 14.9% of net revenue, for the three months ended April 30, 2001 and \$4.1 million, or 13.8% of net revenue, for the three months ended April 30, 2000. The increase in selling and marketing expense in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001 was primarily due to the hiring of additional sales and marketing personnel and the addition of Galileo's sales and marketing personnel which resulted in an increase in salary and related costs of \$2.7 million, increased sales commissions of \$800,000, and increased facility and other allocated expenses of \$900,000 related to our expanding operations. We expect that selling and marketing expense will increase in absolute dollars in future periods as we hire additional sales and marketing personnel, expand our sales and marketing efforts, particularly in the communications market, and pay increased sales commissions.

GENERAL AND ADMINISTRATIVE. General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, fees for professional services and allocated occupancy costs for these operations. General and administrative expense was \$3.0 million, or 4.6% of net revenue, for the three months ended April 30, 2001 and \$1.5 million, or 5.1% of net revenue, for the three months ended April 30, 2000. The increase in general and administrative expense in absolute dollars in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001 was primarily due to the hiring of additional administrative personnel and the

addition of Galileo's administrative personnel which resulted in an increase in salary and related costs of \$1.1 million. We expect that general and administrative expense will increase in absolute dollars in future periods as we hire additional administrative personnel and incur increased legal and other costs associated with expanding our operations.

AMORTIZATION OF STOCK-BASED COMPENSATION. We have recorded deferred stock-based compensation in connection with the grant of stock options to our employees and directors prior to our initial public offering of common stock and in connection with the assumption of stock options as a result of our acquisition of Galileo. Deferred stock-based compensation is being amortized using an accelerated method over the remaining option vesting period. Amortization expense was \$4.1 million, or 6.4% of net revenue, for the three months ended April 30, 2001 and \$2.3 million, or 7.6% of net revenue, for the three months ended April 30, 2000. The increase in amortization expense in absolute dollars primarily resulted from additional amounts of deferred stock-based compensation being recorded in the fourth quarter of fiscal 2001 due to the assumption of stock options in connection with our acquisition of Galileo.

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AMORTIZATION OF GOODWILL AND ACQUIRED INTANGIBLE ASSETS. In connection with the acquisition of Galileo in the fourth quarter of fiscal 2001, we recorded \$1.7 billion of goodwill and \$434.7 million of acquired intangible assets. Goodwill is being amortized over its estimated economic life of five years, and acquired intangible assets are being amortized over their estimated economic lives of five to ten years. Goodwill and acquired intangible asset amortization expense was \$104.5 million, or 162.7% of net revenue, for the three months ended April 30, 2001.

INTEREST AND OTHER INCOME, NET. Interest and other income, net consists primarily of interest earned on cash, cash equivalent and short-term investment balances, offset by interest paid on capital lease obligations. Interest and other income, net was \$3.0 million for the three months ended April 30, 2001 and \$240,000 for the three months ended April 30, 2000. The increase in interest and other income, net was due to interest being earned on higher invested cash balances in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001. The net proceeds from our initial public offering of common stock in June 2000, as well as the net cash received as a result of our acquisition of Galileo in January 2001, contributed to the significant increase in interest and other income, net in the first quarter of fiscal 2002 compared to the first quarter of fiscal 2001.

PROVISION FOR INCOME TAXES. Our effective tax rate was (1%) for the three months ended April 30, 2001 compared to 25% for the three months ended April 30, 2000. Our effective rate for the first quarter of fiscal 2002 was affected by stock-based compensation expense as well as non-deductible expenses relating to our acquisition of Galileo in the fourth quarter of fiscal 2001, which was recorded using the purchase method of accounting. Excluding the effect of stock-based compensation expense and non-deductible, acquisition-related expenses, our effective tax rate for the first quarter of fiscal 2002 was 15%. Our effective tax rate has decreased to 15% in the first quarter of fiscal 2002 from 25% in the first quarter of fiscal 2001 as a result of our acquisition of Galileo in the fourth quarter of fiscal 2001. A substantial majority of Galileo's pretax income is generated in Israel, where Galileo's operations have Approved Enterprise Status. This status provides us with a tax holiday on undistributed Israeli income. We anticipate that we will start paying some income tax in Israel beginning in 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity as of April 30, 2001 consisted of \$198.2 million of cash, cash equivalents and short-term investments. We raised net proceeds of \$94.0 million through our initial public offering in June 2000. In addition, we received \$70.0 million of cash and cash equivalents and \$39.9 million of short-term investments, before acquisition costs, as a result of our acquisition of Galileo in January 2001.

Net cash provided by operating activities was \$10.1 million for the three months ended April 30, 2001 and \$3.5 million for the three months ended April 30, 2000. The cash inflow from operations in the first quarter of fiscal 2002

was primarily a result of our generation of income during the period (excluding the non-cash impact of depreciation and amortization expenses) and a decrease in inventory, partially offset by decreases in accounts payable and accrued liabilities. The cash inflow from operations in the first quarter of fiscal 2001 was primarily due to our generation of income during the period (excluding the non-cash impact of depreciation and amortization expenses), a decrease in accounts receivable and an increase in accounts payable, partially offset by increases in inventory, prepaid expenses and other assets. Due to the nature of our business, we experience working capital needs for accounts receivable and inventory. We typically bill customers on an open account basis on net 30-day payment terms. If sales levels were to increase, it is likely that our levels of accounts receivable would also increase. Our levels of accounts receivable would also increase if customers delayed their payments. Additionally, in order to maintain an adequate supply of product for our customers, we must carry a certain level of inventory. This inventory level may vary based primarily upon orders received from customers and our forecast of demand for these products. Other considerations in determining inventory levels may include the product life cycle stage of our products and competitive situations in the marketplace. Such considerations are balanced against risk of obsolescence or potentially excess inventory levels.

Net cash used in investing activities was \$33.9 million for the three months ended April 30, 2001 and \$5.7 million for the three months ended April 30, 2000. The net cash used in investing activities in the first quarter of fiscal 2002 was primarily due to the payment of \$29.1 million of accrued acquisition costs relating to our acquisition of Galileo, purchases of property and equipment of \$7.1 million, and purchases of short-term

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investments of \$8.0 million, partially offset by the proceeds from maturities of short-term investments of \$11.0 million. The net cash used in investing activities in the first quarter of fiscal 2001 was due to purchases of property and equipment of \$2.7 million as well as an increase in restricted cash of \$3.0 million. The increase in restricted cash related to an investment in a certificate of deposit with a United States bank as security for a standby letter of credit with a foundry. The standby letter of credit expired on September 1, 2000.

Net cash provided by financing activities was \$913,000 for the three months ended April 30, 2001 and \$1.4 million for the three months ended April 30, 2000. In the first quarters of fiscal 2002 and 2001, net cash provided by financing activities was primarily attributable to proceeds from the exercise of stock options.

Our relationships with our foundries allow us to cancel all outstanding purchase orders but require us to pay the foundries for expenses they have incurred in connection with our purchase orders through the date of cancellation. As of April 30, 2001, our foundries had incurred approximately \$15.3 million of manufacturing expenses on our outstanding purchase orders.

We believe that our existing cash and investment balances and cash generated by operations are sufficient to meet our capital requirements for at least the next 12 months. After this period, capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects and increases in operating expenses. To the extent that our existing cash and investment balances and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. Although we are currently not a party to any agreement or letter of intent with respect to a potential acquisition or strategic arrangement, we may enter into acquisitions or strategic arrangements in the future, which could also require us to seek additional debt or equity financing. Additional funds may not be available on terms favorable to us or at all.

RECENT ACCOUNTING PRONOUNCEMENTS

In the first quarter of fiscal 2002, we adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," and Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments

and Certain Hedging Activities," which establish accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 and SFAS 138 require that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

For a derivative designated as a fair value hedge, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative designated as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

All of our revenues and the majority of our costs are denominated in United States dollars, and to date we have not entered into any derivative contracts. We adopted SFAS No. 133 and 138 on February 1, 2001. The adoption did not have a significant impact on our consolidated financial statements.

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

In addition to the factors discussed in the "Overview" and "Liquidity and Capital Resources" sections of this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the following additional factors may affect our future results. Many of these factors are beyond our control, including business cycles and seasonal trends of the computing, semiconductor and related industries.

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THE RECENT SLOWDOWN IN THE WORLDWIDE ECONOMY HAS NEGATIVELY AFFECTED OUR REVENUES AND OUR RESULTS OF OPERATIONS IN FISCAL 2002.

Over the last several months there has been a slowdown in worldwide economies, including the United States, that has resulted in delays of new orders for our products as well as reschedules of existing orders. This slowdown has been brought about by a number of factors, including concerns about inflation, decreased consumer confidence and reports of reduced corporate profits. If economic conditions worsen, our revenues and results of operations in the remainder of fiscal 2002 and beyond will be materially and adversely affected.

WE HAVE DEPENDED ON SALES OF OUR READ CHANNEL AND PREAMPLIFIER PRODUCTS FOR A SIGNIFICANT PORTION OF OUR REVENUE TO DATE, AND GALILEO HAS DEPENDED ON SALES OF ITS SYSTEM CONTROLLERS AND ETHERNET LAN CONTROLLERS FOR A SIGNIFICANT PORTION OF ITS REVENUE TO DATE. SIGNIFICANT REDUCTIONS IN ORDERS FOR THESE PRODUCTS, OR THE DEVICES INTO WHICH SUCH PRODUCTS ARE INCORPORATED, WOULD SIGNIFICANTLY REDUCE OUR NET REVENUE.

A significant portion of our revenue to date has been derived from sales of our read channel and preamplifier products. In fiscal 2000 and 2001, we experienced rapid growth in sales of our read channel and preamplifier products; however, we anticipate that our sales for these products in fiscal 2002 will be relatively consistent with the level of sales we reported for these products in fiscal 2001.

Our read channel and preamplifier products are incorporated into storage devices by our customers primarily for sale to the personal computer and computer server markets. Any reduction in the demand for storage devices that incorporate our products would result in reduced demand for our products and would harm our sales. The storage market is rapidly evolving and is subject to substantial fluctuation. For example, the storage market may be affected by:

- shifts in market share among storage device manufacturers, driven by technological advances, price reductions, the level of end-user satisfaction with the storage devices and the level of support provided to the end-users; and
- fluctuations in the market for computing devices and products containing

storage devices.

In addition, a significant portion of Galileo's revenues to date have come from sales of its system controllers and switched Ethernet LAN controllers, and we expect that a significant portion of its revenues will continue to come from these products.

Unless we are able to diversify our sales through increased sales of our existing broadband communications products and the introduction of new broadband communications and storage products, we will continue to be dependent on sales of our read channel and preamplifier products and on Galileo's system controllers and switched Ethernet LAN controllers.

WE DEPEND ON A SMALL NUMBER OF LARGE CUSTOMERS FOR A SIGNIFICANT PORTION OF OUR SALES. THE LOSS OF, OR A SIGNIFICANT REDUCTION OR CANCELLATION IN SALES TO, ANY KEY CUSTOMER WOULD SIGNIFICANTLY REDUCE OUR REVENUES.

For the three months ended April 30, 2001, approximately 44% of our net revenue was derived from sales to three customers who individually accounted for 10% or more of our net revenue. In fiscal 2001, approximately 67% of our net revenue was derived from sales to three customers who individually accounted for 10% or more of our net revenue, and in fiscal 2000, approximately 98% of our net revenue was derived from sales to five customers who individually accounted for 10% or more of our net revenue. Sales to our largest customers have fluctuated significantly from period to period primarily due to the timing and number of design wins with each customer, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate dramatically in the future. The loss of any of our largest customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts from them would likely seriously harm our results of operations and financial condition. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to

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purchase our products at all, to purchase fewer products than they did in the past, or to alter their purchasing patterns in some other way, particularly because:

- we do not have any long-term purchase arrangements or contracts with these or any of our other customers or exclusive arrangements with any customers;
- substantially all of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty; and
- our customers purchase integrated circuits from our competitors.

Our customers may also discontinue sales in the markets for which they purchase our products.

IF WE ARE UNABLE TO DEVELOP NEW AND ENHANCED PRODUCTS THAT ACHIEVE MARKET ACCEPTANCE IN A TIMELY MANNER, OUR OPERATING RESULTS AND COMPETITIVE POSITION WILL BE HARMED.

Our future success will depend on our ability, in a timely and cost-effective manner, to develop new products for the broadband communications market and to introduce product enhancements to our read channel and preamplifier products for the storage market. We must also achieve market acceptance for these products and enhancements. If we do not successfully develop and achieve market acceptance for new and enhanced products, our ability to maintain or increase revenues will suffer. The development of our products is highly complex. We occasionally have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. In particular, we have a limited history in developing products for the broadband communications market and may encounter technical difficulties in developing 10 Gigabit Ethernet fiber-optic or other products for this market that could prevent or delay the successful introduction of these products. Unanticipated problems in developing broadband communications products could also divert substantial engineering resources, which may impair

our ability to develop new products and enhancements for the storage market, and could substantially increase our costs. Even if the new and enhanced products are introduced to the market, we may not be able to achieve market acceptance of these products in a timely manner.

Successful product development and market acceptance of our products depends on a number of factors, including:

- timely and cost-effective completion and introduction of new product designs;
- adoption of our products by customers that are among the first to adopt new technologies and by customers perceived to be market leaders;
- timely qualification and certification of our products for use in our customers' products;
- the level of acceptance of our products by existing and potential customers;
- cost and availability of foundry, assembly and testing capacity;
- availability, price, performance, power, use and size of our products and competing products and technologies;
- our customer service and support capabilities and responsiveness;
- successful development of our relationships with existing and potential customers and strategic partners; and
- our ability to predict and respond to changes in technology, industry standards or end-user preferences.

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OUR ACQUISITION OF GALILEO AND ANY FUTURE ACQUISITIONS COULD HARM OUR OPERATING RESULTS AND SHARE PRICE.

We expect to continue to make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market segment coverage, or enhance our technological capabilities. These acquisitions could materially adversely affect our operating results as a result of possible concurrent issuances of equity securities. In addition, the purchase price of these acquired businesses may exceed the current fair values of the net tangible assets of the acquired businesses. As a result, we would be required to record material amounts of goodwill and other intangible assets, which would result in significant amortization charges in future periods. These charges, in addition to the results of operations of such acquired businesses, could have a material adverse effect on our business, financial condition and results of operations. We cannot forecast the number, timing or size of future acquisitions, or the effect that any such acquisitions might have on our operating or financial results.

We acquired Galileo Technology Ltd. on January 21, 2001. We accounted for this acquisition using the purchase method of accounting, and the results of Galileo's operations are included in our consolidated financial statements from the closing date of this acquisition. We have recorded the excess of cost over the fair value of the net tangible assets acquired from our acquisition of Galileo as goodwill, other intangible assets and deferred stock-based compensation, all of which will be amortized by charges to operations. The acquisition of Galileo resulted in aggregate goodwill and other intangible assets of approximately \$2.1 billion and deferred stock-based compensation of approximately \$19.8 million. Goodwill is being amortized over its estimated economic life of five years, other intangible assets are being amortized over their estimated economic lives of between five and ten years, and deferred stock-based compensation is being amortized over the remaining option vesting periods of no more than four years. We will record significant amounts of amortization expense over the estimated economic lives of these intangible assets and over the remaining option vesting periods, which will have a significant negative impact on our operating results and could cause our stock price to decline.

Under current generally accepted accounting principles, we are required to

review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Over the last several months, there has been a slowdown in worldwide economies, including the United States, which has affected our business. End customers for our products have slowed their purchases of next-generation technology and have delayed or rescheduled existing orders for products that incorporate our technology. If such trends continue or if other presently unforeseen events or changes in circumstances arise which indicate that the carrying value of our intangible assets may not be recoverable, we will be required to perform an impairment review of these assets, which have a carrying value of approximately \$2.0 billion as of April 30, 2001. An impairment review could result in a write-down of these assets to their fair values. In light of the large carrying value associated with our intangible assets, any write-down of these assets may result in a significant charge to our statement of operations in the period any impairment is determined.

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WE MAY NOT SUCCESSFULLY COMPLETE THE INTEGRATION OF OUR BUSINESS OPERATIONS WITH THOSE OF GALILEO, WHICH COULD HARM OUR OPERATING RESULTS AND SHARE PRICE.

Integrating the operations of Galileo with ours is a difficult, time consuming and costly task. While we have begun the process of integrating several of our operations with those of Galileo, the completion of that integration may distract management from our day-to-day business. We must successfully integrate, among other things:

- product offerings;
- product development, sales and marketing;
- customer service functions;
- research and development; and
- management information systems.

Among the challenges in integrating the companies is demonstrating to our respective customers that the acquisition has not and will not result in an adverse change in business focus and persuading the companies' personnel that the business cultures are compatible. In addition, Galileo operates in some locations in which we did not otherwise operate. Therefore, to successfully integrate Galileo's operations, we will need to retain management, key employees and business partners of Galileo. If we are not able to effectively complete the integration of our operations, technology and personnel in a timely and efficient manner, then we will not realize the benefits we expected from the acquisition. In particular, if the integration is not successful:

- our operating results may be harmed;
- we may lose key personnel;
- we may not be able to retain or expand our market position; and
- the market price of our common stock may decline.

GALILEO IS INCORPORATED UNDER THE LAWS OF, AND ITS PRINCIPAL OFFICES ARE LOCATED IN, THE STATE OF ISRAEL AND THEREFORE ITS BUSINESS OPERATIONS MAY BE HARMED BY ADVERSE POLITICAL, ECONOMIC AND MILITARY CONDITIONS AFFECTING ISRAEL.

Galileo is both incorporated under the laws of and has its principal offices in the State of Israel. In addition, Galileo maintains its research and development operations in Israel. Thus, Galileo is directly influenced by the political, economic and military conditions affecting Israel. Any major hostilities involving or within Israel could disrupt Galileo's research and development and other business operations. For example, continued hostilities between Israel and the Palestinian Authority in recent months caused substantial political unrest, which could lead to a potential economic downturn in Israel. Also, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel could reduce Galileo's sales and its financial results. A number of countries restrict business with Israel or Israeli companies, and if the countries in which Galileo's customers or potential customers conduct their

businesses adopt restrictive laws or policies toward Israel or Israeli businesses this could harm Galileo's ability to retain or increase its sales.

WE ARE A RELATIVELY SMALL COMPANY WITH LIMITED RESOURCES COMPARED TO SOME OF OUR CURRENT AND POTENTIAL COMPETITORS, AND WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY AND INCREASE OR MAINTAIN REVENUES AND MARKET SHARE.

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We may not be able to compete successfully against current or potential competitors. If we do not compete successfully, our market share and revenues may not increase or may decline. In addition, most of our current and potential competitors have longer operating histories, significantly greater resources and name recognition and a larger base of customers than us. As a result, these competitors may have greater credibility with our existing and potential customers. Moreover, our competitors may foresee the course of market developments more accurately than us. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than us, which would allow them to respond more quickly than us to new or emerging technologies or changes in customer requirements. In addition, new competitors or alliances among existing competitors could emerge. We expect to face competition in the future from our current competitors, other manufacturers and designers of integrated circuits, and innovative start-up integrated circuit design companies. Many of our customers are also large, established integrated circuit suppliers. Our sales to and support of such customers may enable them to become a source of competition to us, despite our efforts to protect our intellectual property rights.

As we have entered the broadband communications market, we have faced competition from a number of additional competitors who have a longer history of serving that market. Many of these competitors have established reputations in that market and long-standing relationships with the customers to whom we intend to sell our products that could prevent us from competing successfully. Competition could increase pressure on us to lower our prices and lower our margins.

DUE TO OUR LIMITED OPERATING HISTORY, WE MAY HAVE DIFFICULTY IN ACCURATELY PREDICTING OUR FUTURE SALES AND APPROPRIATELY BUDGETING FOR OUR EXPENSES, AND WE MAY NOT BE ABLE TO MAINTAIN OUR EXISTING GROWTH RATE.

We were incorporated in 1995 and did not begin generating any meaningful sales until June 1998. This limited operating experience, combined with the rapidly changing nature of the markets in which we sell our products, limits our ability to accurately forecast quarterly and annual sales. Additionally, because many of our expenses are fixed in the short term or incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. We are currently expanding our staffing and increasing our expense levels in anticipation of future sales growth. If our sales do not increase as anticipated, significant losses could result due to our higher expense levels.

Although we have experienced sales and earnings growth in prior quarterly and annual periods, we may not be able to sustain these growth rates, particularly in the period of economic slowdown we are currently experiencing. Accordingly, you should not rely on the results of any prior quarterly or annual periods as an indication of our future performance.

BECAUSE WE DO NOT HAVE LONG-TERM COMMITMENTS FROM OUR CUSTOMERS, WE MUST ESTIMATE CUSTOMER DEMAND, AND ERRORS IN OUR ESTIMATES CAN HAVE NEGATIVE EFFECTS ON OUR INVENTORY LEVELS AND SALES.

Our sales are made on the basis of individual purchase orders rather than long-term purchase commitments. In addition, our customers may cancel or defer purchase orders. We have historically placed firm orders for products with our suppliers up to 16 weeks prior to the anticipated delivery date and typically prior to receiving an order for the product. Therefore, our order volumes are based on our forecasts of demand from our customers. This process requires us to make multiple demand forecast assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect or at all. As a result, we would have excess inventory, which would harm our financial results. Conversely, if we underestimate customer demand or if

insufficient manufacturing capacity is available, we would forego revenue opportunities, lose market share and damage our customer relationships. On occasion, we have been unable to adequately respond to unexpected increases in customer purchase orders, and therefore, were unable to benefit from this increased demand.

WE RELY ON INDEPENDENT FOUNDRIES AND SUBCONTRACTORS FOR THE MANUFACTURE, ASSEMBLY AND TESTING OF OUR INTEGRATED CIRCUIT PRODUCTS, AND THE FAILURE OF ANY OF THESE THIRD-PARTY VENDORS TO DELIVER PRODUCTS OR OTHERWISE PERFORM AS REQUESTED COULD DAMAGE OUR RELATIONSHIPS WITH OUR CUSTOMERS, DECREASE OUR SALES AND LIMIT OUR GROWTH.

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We do not have our own manufacturing, assembly or testing facilities. Therefore, we must rely on third-party vendors to manufacture, assemble and test the products we design. We currently rely on Taiwan Semiconductor Manufacturing Company to produce substantially all of our integrated circuit products. We also currently rely on Taiwan Semiconductor and other third-party assembly and test subcontractors to assemble, package and test our products. If these vendors do not provide us with high quality products and services in a timely manner, or if one or more of these vendors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and our growth could be limited. Other significant risks associated with relying on these third-party vendors include:

- our customers or their customers may fail to approve or delay approving our selected supplier;
- we have reduced control over product cost, delivery schedules and product quality;
- the warranties on wafers or products supplied to us are limited; and
- we face increased exposure to potential misappropriation of our intellectual property.

We currently do not have long-term supply contracts with any of our third-party vendors. They therefore are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. None of our third-party foundry or assembly and test subcontractors has provided contractual assurances to us that adequate capacity will be available to us to meet future demand for our products. These foundries may allocate capacity to the production of other companies' products while reducing deliveries to us on short notice. In particular, foundry customers that are larger and better financed than us or that have long-term agreements with these foundries may cause these foundries to reallocate capacity to those customers, decreasing the capacity available to us. If we need another integrated circuit foundry or assembly and test subcontractor because of increased demand or the inability to obtain timely and adequate deliveries from our providers at the time, we might not be able to develop relationships with other vendors who are able to satisfy our requirements. Even if other integrated circuit foundries or assembly and test subcontractors are available at that time to satisfy our requirements, it would likely take several months to acquire a new provider. Such a change may also require the approval of our customers, which would take time to effect and could cause our customers to cancel orders or fail to place new orders.

IF OUR FOUNDRIES DO NOT ACHIEVE SATISFACTORY YIELDS OR QUALITY, OUR RELATIONSHIPS WITH OUR CUSTOMERS AND OUR REPUTATION WILL BE HARMED.

The fabrication of integrated circuits is a complex and technically demanding process. Our foundries have from time to time experienced manufacturing defects and reduced manufacturing yields. In the fourth quarter of fiscal 2000, we experienced low yields in the production of our newly introduced read channel product, which decreased our gross profits for that quarter. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Poor yields from our foundries, or defects, integration issues or other performance problems in our products could

cause us significant customer relations and business reputation problems, harm our financial results and result in financial or other damages to our customers. Our customers could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In addition, defects in our existing or new products could result in significant warranty, support and repair costs, and divert the attention of our engineering personnel from our product development efforts.

WE DEPEND ON KEY PERSONNEL WITH WHOM WE DO NOT HAVE EMPLOYMENT AGREEMENTS TO MANAGE OUR BUSINESS, AND IF WE ARE UNABLE TO RETAIN OUR CURRENT PERSONNEL AND HIRE ADDITIONAL PERSONNEL, OUR ABILITY TO DEVELOP AND SUCCESSFULLY MARKET OUR PRODUCTS COULD BE HARMED.

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We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering and sales and marketing personnel. The loss of any key employees or the inability to attract or retain qualified personnel, including engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products. We believe that our future success is highly dependent on the contributions of Sehat Sutardja, our co-founder, President and Chief Executive Officer, Pantas Sutardja, our co-founder and Vice-President, and Chief Technology Officer of Marvell Semiconductor, Weili Dai, our co-founder and Executive Vice President of the Communications Business Group of Marvell Semiconductor and Avigdor Willenz, our Executive Vice President of the Communications Business Group of Galileo Technology Ltd. We do not have employment contracts with these or any other key personnel, and their knowledge of the business and industry would be extremely difficult to replace.

There is currently a shortage of qualified technical personnel with significant experience in the design, development, manufacture, marketing and sales of integrated circuits for use in communications products. In particular, there is a shortage of engineers who are familiar with the intricacies of the design and manufacture of products based on analog technology, and competition for these engineers is intense. Our key technical personnel represent a significant asset and serve as the source of our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth.

OUR RAPID GROWTH HAS STRAINED OUR RESOURCES AND OUR INABILITY TO MANAGE ANY FUTURE GROWTH COULD HARM OUR PROFITABILITY.

Our rapid growth has placed, and future growth of our operations will continue to place, a significant strain on our management personnel, systems and resources. We anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We also expect that we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. If we are unable to effectively manage our expanding operations, our profitability could be harmed.

As a result of this growth, we believe that our current facilities will be inadequate to meet our requirements past fiscal 2003. We expect we will need to locate additional space in California, and may find it necessary to vacate our current locations. Additional space may cost more than our existing facilities, and if we relocate, we may have to pay rent on two leases for a period of time. We may also incur significant additional capital expenditures for construction of tenant improvements. These relocations could also result in temporary disruptions of operations and diversion of management's attention and resources.

WE FACE FOREIGN BUSINESS, POLITICAL AND ECONOMIC RISKS, WHICH MAY HARM OUR RESULTS OF OPERATIONS, BECAUSE A MAJORITY OF OUR PRODUCTS AND OUR CUSTOMERS' PRODUCTS ARE MANUFACTURED AND SOLD OUTSIDE OF THE UNITED STATES.

A substantial portion of our business is conducted outside of the United States and as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are

located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily concentrated in Singapore, Taiwan and Japan, which further exposes us to foreign risks. Sales to customers located outside of the United States represented approximately 83% of our revenues in the first three months of fiscal 2002 and represented approximately 92% and 99% of our revenues in fiscal 2001 and 2000, respectively. We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods. Accordingly, we are subject to international risks, including:

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws;
- difficulties in staffing and managing foreign operations;

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- trade restrictions or higher tariffs;
- transportation delays;
- difficulties of managing distributors, especially because we expect to continue to increase our sales through international distributors;
- political and economic instability, including hostilities and political unrest, boycotts, curtailment of trade and other business restrictions; and
- inadequate local infrastructure.

Because all of our sales to date have been denominated in United States dollars, increases in the value of the United States dollar will increase the price of our products so that they become relatively more expensive to customers in the local currency of a particular country, potentially leading to a reduction in sales and profitability for us in that country. A portion of our international revenue may be denominated in foreign currencies in the future, which will subject us to risks associated with fluctuations in exchange rates for those foreign currencies.

THE CURRENT SHORTAGE OF ELECTRICITY IN CALIFORNIA AND THE CORRESPONDING INCREASES IN PRICES AND ROLLING BLACKOUTS MAY NEGATIVELY AFFECT OUR RESEARCH AND DEVELOPMENT AND OTHER OPERATIONS.

California has recently suffered a severe shortage of electricity, which has resulted in one instance in recent months in which we were subjected to a "rolling blackout." When we are subjected to rolling blackouts, all electricity to our facilities is cut off and we are unable to use our computers, telephones and other equipment that is critical to our research and development and other functions. Some of our customers who have operations in California are also being negatively affected by the electricity shortage. The predictions for the summer of calendar year 2001 are for even more severe electricity shortages, which may result in substantial down time for California businesses. If we are subjected to a series of rolling blackouts or to a single extended rolling blackout, our research and development and other operations will be negatively affected.

OUR THIRD-PARTY FOUNDRIES AND SUBCONTRACTORS ARE CONCENTRATED IN TAIWAN AND ELSEWHERE IN THE PACIFIC RIM, AN AREA SUBJECT TO SIGNIFICANT EARTHQUAKE RISKS. ANY DISRUPTION TO THE OPERATIONS OF THESE FOUNDRIES AND SUBCONTRACTORS RESULTING FROM EARTHQUAKES OR OTHER NATURAL DISASTERS COULD CAUSE SIGNIFICANT DELAYS IN THE PRODUCTION OR SHIPMENT OF OUR PRODUCTS.

Substantially all of our products are produced by Taiwan Semiconductor Manufacturing Company located in Taiwan. Currently our only alternative manufacturing source is also located in Taiwan. In addition, substantially all of our assembly and testing facilities are located in Singapore, Taiwan and the Philippines. The risk of an earthquake in Taiwan and elsewhere in the Pacific Rim region is a significant risk due to the proximity of major earthquake fault lines to the facilities of our foundries and assembly and test subcontractors.

In September 1999, a major earthquake in Taiwan affected the facilities of several of these third-party contractors. As a consequence of this earthquake, these contractors suffered power outages and disruptions that impaired their production capacity. The occurrence of an earthquake or other natural disaster could result in the disruption of our foundry or assembly and test 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 or testing from the affected contractor to another third-party vendor. We may not be able to obtain alternate capacity on favorable terms, if at all.

WE RELY ON THIRD-PARTY DISTRIBUTORS AND THE FAILURE OF THESE DISTRIBUTORS TO PERFORM AS EXPECTED COULD REDUCE OUR FUTURE SALES.

We sell our communications products to customers primarily through distributors and manufacturers' representatives. Our relationships with our distributors and manufacturers' representatives have been established within the last year, and we are unable to predict the extent to which some of these distributors and manufacturers' representatives will be successful in marketing and selling our products. Moreover, many of our

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manufacturers' representatives and distributors also market and sell competing products. Our representatives and distributors may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain our current distributors or manufacturers' representatives or recruit additional or replacement distributors or manufacturers' representatives, our sales and operating results will be harmed. The loss of one or more of our distributors or manufacturers' representatives could harm our sales and results of operations. We generally realize a higher gross margin on direct sales and from sales through manufacturers' representatives than on sales through distributors. Accordingly, if our distributors were to account for an increased portion of our net sales, our gross margins would decline.

PRODUCTS THAT CONTAIN ERRORS OR DEFECTS COULD RESULT IN SIGNIFICANT COSTS FOR US AND HARM OUR REPUTATION.

Our products are complex. Despite demanding testing and quality control, we cannot be certain that errors and defects will not be found in connection with the introduction of our products or product enhancements.

We have experienced errors and defects in the past in connection with new products. Introductions by us of new or enhanced products with reliability, quality or compatibility problems could significantly delay or hinder market acceptance of such products, and could adversely affect our ability to retain our existing customers and to attract new customers. Alleviating these problems could require significant expenditures of capital and additional development costs, and diversion of technical and other resources by us. These problems may also result in claims by our customers or others against us.

OUR FUTURE ACQUISITIONS AND TRANSACTIONS MAY NOT BE SUCCESSFUL.

We expect to continue to make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market segment coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance, or joint venture opportunities or that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful.

Any transactions or relationships will be accompanied by the risks commonly encountered with those matters. Risks that could have a material adverse affect on our business, results of operations or financial condition include, among other things:

- the difficulty of assimilating the operations and personnel of an acquired businesses;

- the potential disruption of our ongoing business;
- the distraction of management from our business;
- the potential inability of management to maximize the financial and strategic position of us as a result of an acquisition;
- the potential difficulty maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and clients as a result of any integration of new management personnel;
- the risk of entering market segments in which we have no or limited direct prior experience and where competitors in such market segments have stronger market segment positions; and
- the potential loss of key employees of an acquired company.

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THE AVERAGE SELLING PRICES OF PRODUCTS IN OUR MARKETS HAVE HISTORICALLY DECREASED RAPIDLY AND WILL LIKELY DO SO IN THE FUTURE, WHICH COULD HARM OUR REVENUES AND GROSS PROFITS.

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross profits. We expect that, as a result of pricing pressure from our customers, our gross profits on our storage products are also likely to decrease over the next fiscal year below levels we have historically experienced. Because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. We expect that we will have to do so again in the future.

WE HAVE A LENGTHY AND EXPENSIVE SALES CYCLE, WHICH DOES NOT ASSURE PRODUCT SALES, AND WHICH IF UNSUCCESSFUL MAY HARM OUR OPERATING RESULTS.

The sales cycle for our products is long and requires us to invest significant resources with each potential customer without any assurance of sales to that customer. Our sales cycle typically begins with a three to six month evaluation and test period, also known as qualification, during which our products undergo rigorous reliability testing by our customers.

Qualification is followed by a 12 to 18 month development period by our customers and an additional three to six month period before a customer commences volume production of equipment incorporating our products. This lengthy sales cycle creates the risk that our customers will decide to cancel or change product plans for products incorporating our integrated circuits. During our sales cycle, our engineers assist customers in implementing our products into the customers' products. We incur significant research and development and selling, general and administrative expenses as part of this process, and this process may never generate related revenues. We derive revenue from this process only if our design is selected. Once a customer selects a particular integrated circuit for use in a storage product, the customer generally uses solely that integrated circuit for a full generation of its product. Therefore, if we do not achieve a design win for a product, we will be unable to sell our integrated circuit to a customer until that customer develops a new product or a new generation of its product. Even if we achieve a design win with a customer, the customer may not ultimately ship products incorporating our products or may cancel orders after we have achieved a sale. In addition, we will have to begin the qualification process again when a customer develops a new generation of a product for which we were the successful supplier.

Also, during the final production of a mature product, our customers

typically exhaust their existing inventory of our integrated circuits. Consequently, orders for our products may decline in those circumstances, even if our products are incorporated into both our customers' mature and replacement products. A delay in a customer's transition to commercial production of a replacement product may cause the customer to lose sales, which would delay our ability to recover the lost sales from the discontinued mature product. In addition, customers may defer orders in anticipation of new products or product enhancements from us or our competitors.

WE ARE SUBJECT TO THE CYCLICAL NATURE OF THE INTEGRATED CIRCUIT INDUSTRY. THE CURRENT AND ANY FUTURE DOWNTURNS WILL LIKELY REDUCE OUR REVENUE AND RESULT IN EXCESS INVENTORY.

The integrated circuit industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The industry has experienced, and is currently experiencing, significant downturns, often connected with, or in anticipation of, maturing product cycles of both integrated circuit companies' and their customers' products and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. The current downturn and any future downturns may reduce our

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revenue or our percentage of revenue growth on a quarter-to-quarter basis and result in us having excess inventory.

Furthermore, any upturn in the integrated circuit industry could result in increased competition for access to third-party foundry, assembly and test capacity.

WE ARE DEPENDENT UPON THE HARD DISK DRIVE INDUSTRY, WHICH IS HIGHLY CYCLICAL AND EXPERIENCES RAPID TECHNOLOGICAL CHANGE.

Sales to customers in the hard disk drive industry represented approximately 45% of our net revenue in the first three months of fiscal 2002. The hard disk drive industry is intensely competitive, and the technology changes rapidly. As a result, this industry is highly cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us as our customers are suppliers to this industry. Hard disk drive manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. In addition, advances in existing technologies and the introduction of new technologies may result in lower demand for disk drive storage devices, thereby reducing demand for our products.

Rapid technological changes in the hard disk drive industry often result in significant and rapid shifts in market share among the industry's participants. If the hard disk drive manufacturers supplied by our customers do not retain or increase market share, our sales may decrease.

WHEN DEMAND FOR FOUNDRY CAPACITY IS HIGH, WE MAY TAKE VARIOUS ACTIONS TO TRY TO SECURE SUFFICIENT CAPACITY, WHICH MAY BE COSTLY AND HARM OUR OPERATING RESULTS.

Availability of foundry capacity has in the recent past been reduced due to strong demand. In order to secure sufficient foundry capacity when demand is high, we may enter into various arrangements with suppliers that could be costly and harm our operating results, including:

- option payments or other prepayments to a foundry;
- nonrefundable deposits with or loans to foundries in exchange for capacity commitments;
- contracts that commit us to purchase specified quantities of integrated circuits over extended periods;
- issuance of our equity securities to a foundry;
- investment in a foundry; and

- other partnership relationships with foundries.

We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. Moreover, if we are able to secure 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.

THE DEVELOPMENT AND EVOLUTION OF MARKETS FOR OUR INTEGRATED CIRCUITS ARE DEPENDENT ON FACTORS, SUCH AS INDUSTRY STANDARDS, OVER WHICH WE HAVE NO CONTROL. FOR EXAMPLE, IF OUR CUSTOMERS ADOPT NEW OR COMPETING INDUSTRY STANDARDS WITH WHICH OUR PRODUCTS ARE NOT COMPATIBLE OR FAIL TO ADOPT STANDARDS WITH WHICH OUR PRODUCTS ARE COMPATIBLE, OUR EXISTING PRODUCTS WOULD BECOME LESS DESIRABLE TO OUR CUSTOMERS AND OUR SALES WOULD SUFFER.

The emergence of markets for our integrated circuits is affected by a variety of factors beyond our control. In particular, our products are designed to conform to current specific industry standards. Our customers may not adopt or continue to follow these standards, which would make our products less desirable to our customers

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and reduce our sales. Also, competing standards may emerge that are preferred by our customers, which could also reduce our sales and require us to make significant expenditures to develop new products.

We have made a significant investment in the development and production of our Gigabit Ethernet products. However, the Gigabit Ethernet technology is relatively new compared to the more established 10 and 100 megabits per second Fast Ethernet technologies. If the Gigabit Ethernet technology does not achieve widespread market acceptance, our Gigabit Ethernet products may never be profitable.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY, WHICH WOULD NEGATIVELY AFFECT OUR ABILITY TO COMPETE.

We believe one of our key competitive advantages results from our collection of proprietary technologies that we have developed since our inception. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed, which could harm our competitive position and decrease our revenues. We believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. As of April 30, 2001, we have been issued several United States patents and have a number of pending United States patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not 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.

SIGNIFICANT LITIGATION OVER INTELLECTUAL PROPERTY IN OUR INDUSTRY MAY CAUSE US TO BECOME INVOLVED IN COSTLY AND LENGTHY LITIGATION, WHICH COULD SUBJECT US TO LIABILITY, REQUIRE US TO STOP SELLING OUR PRODUCTS OR FORCE US TO REDESIGN OUR PRODUCTS.

Litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the integrated circuit industry, where a number of companies aggressively bring numerous infringement claims to protect their patent portfolios. We may become a party to litigation in the future either to protect our intellectual property or as a result of an alleged infringement of others' intellectual property. These

lawsuits could subject us to significant liability for damages and invalidate our proprietary rights. These lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling products or using technology that contain the allegedly infringing intellectual property;
- pay damages to the party claiming infringement;
- attempt to obtain a license to the relevant intellectual property, which license may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

WE ARE INCORPORATED IN BERMUDA, AND, AS A RESULT, IT MAY NOT BE POSSIBLE FOR OUR SHAREHOLDERS TO ENFORCE CIVIL LIABILITY PROVISIONS OF THE SECURITIES LAWS OF THE UNITED STATES.

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to effect service of process within the United States upon us, or to enforce against us in United States courts judgments based on the civil liability provisions of the securities laws of the United States. Most of our executive officers and directors are residents of the United States. However, there is significant doubt as to

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whether the courts of Bermuda would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not be automatically enforceable in Bermuda.

OUR BYE-LAWS CONTAIN A WAIVER OF CLAIMS OR RIGHTS OF ACTION BY OUR SHAREHOLDERS AGAINST OUR OFFICERS AND DIRECTORS, WHICH WILL SEVERELY LIMIT OUR SHAREHOLDERS' RIGHT TO ASSERT A CLAIM AGAINST OUR OFFICERS AND DIRECTORS UNDER BERMUDA LAW.

Our Bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves actual fraud or dishonesty. Thus, so long as acts of business judgment do not involve actual fraud or dishonesty, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of actual fraud or dishonesty.

WE ARE SUBJECT TO UNCERTAINTY REGARDING HOW THE UNITED STATES FEDERAL INCOME TAX LAWS APPLY TO OUR BUSINESS. IF OUR APPLICATION OF THE TAX CODE IS INCORRECT, OUR OPERATING RESULTS COULD BE HARMED.

As a Bermuda corporation, we are subject to United States federal income tax at regular corporate rates and to United States branch profits tax, in each case to the extent that our income is effectively connected with the conduct of a trade or business in the United States. The determination of whether income of a foreign corporation is effectively connected with the conduct of a trade or business in the United States and, therefore, is subject to United States tax, involves a consideration of all the facts and circumstances and the application of legal standards that are uncertain. There have been few court cases or rulings by the Internal Revenue Service addressing the application of these

legal standards, and we believe that none of these cases or rulings relate to facts precisely like ours. Our position is that our business operations do not generate any income that is effectively connected with a United States trade or business. Because of the uncertainty as to how United States federal income tax laws apply to the way we conduct our business, we believe the Internal Revenue Service may disagree with our past or future positions as to the amount of effectively connected income that we earn. Therefore, if our positions are disallowed, the amount we have accrued in our financial statements for United States federal income taxes may be insufficient to the extent of the difference between the income tax rate ultimately determined to apply and the tax rate that we have used to accrue for income taxes in our financial statements. In addition, we could be required to make significant cash payments for back taxes and interest based on the difference between the income tax rate ultimately determined to apply and the effective rate at which we paid those taxes.

TAX BENEFITS WE RECEIVE MAY BE TERMINATED OR REDUCED IN THE FUTURE, WHICH WOULD INCREASE OUR COSTS.

Under current Bermuda law, we are not subject to tax on our income or capital gains. We have obtained from the Minister of Finance of Bermuda under the Exempt Undertakings Tax Protection Act 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on income or capital gains, those taxes should not apply to us until March 28, 2016. However, this exemption may not be extended beyond that date.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 2000 for a period of at least six years, commencing July 1, 1999. As a result, we anticipate that a significant portion of the income we earn in Singapore during this period will be exempt from the 26% Singapore tax rate. We are required to meet several requirements as to investment, headcount and activities in Singapore to retain this status. If our Pioneer Status is terminated early, our financial results could be harmed.

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The Israeli government has granted Approved Enterprise Status to our wholly-owned subsidiary in Israel, which provides for a tax holiday on undistributed Israeli income. We expect that we will start paying some income tax in Israel beginning in 2004. In order to maintain our qualification, we must continue to meet specified conditions, including the making of investments in fixed assets in Israel.

IF WE ARE CLASSIFIED AS A PASSIVE FOREIGN INVESTMENT COMPANY, OUR SHAREHOLDERS MAY SUFFER ADVERSE TAX CONSEQUENCES.

Because we are incorporated in Bermuda and have operations in the United States, Israel and Singapore, we are subject to special rules and regulations, including rules regarding a passive foreign investment company, or PFIC. We believe that we are not a PFIC, and we expect to continue to manage our affairs so that we will not become a PFIC. However, whether we should be treated as a PFIC is a factual determination that is made annually and is subject to change. If we are classified as a PFIC, then each United States holder of our common stock would, upon qualifying distributions by us or upon the pledge or sale of their shares of common stock at a gain, be liable to pay tax at the then prevailing rates on ordinary income plus an interest charge, generally as if the distribution or gain had been earned ratably over the shareholder's holding period. In addition to the risks related to PFIC status, we and our shareholders could also suffer adverse tax consequences if we are classified as a foreign personal holding company, a personal holding company or a controlled foreign corporation.

OUR OFFICERS AND DIRECTORS OWN A LARGE PERCENTAGE OF OUR VOTING STOCK, AND THREE EXISTING DIRECTORS, WHO ARE ALSO SIGNIFICANT SHAREHOLDERS, ARE RELATED BY BLOOD OR MARRIAGE. THESE FACTORS MAY ALLOW THE OFFICERS AND DIRECTORS AS A GROUP OR THE THREE RELATED DIRECTORS TO CONTROL THE ELECTION OF DIRECTORS AND THE APPROVAL OR DISAPPROVAL OF SIGNIFICANT CORPORATE ACTIONS.

As of April 30, 2001, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 52% of the outstanding shares our common stock. Additionally, Sehat Sutardja and Weili Dai are husband and wife and Sehat Sutardja and Pantas Sutardja are brothers. All three are directors and together they held approximately 31% of our outstanding

common stock as of April 30, 2001. As a result, if the directors and officers as a group or any of Sehat Sutardja, Pantas Sutardja and Weili Dai act together, they will significantly influence, and will likely control, the election of our directors and approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other shareholders. In addition, the voting power of these officers or directors could have the effect of delaying or preventing an acquisition of us on terms that other shareholders may desire.

Under Bermuda law all of our officers, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Majority shareholders do not owe fiduciary duties to minority shareholders. As a result, the minority shareholders will not have a direct claim against the majority shareholders in the event the majority shareholders take actions that damage the interests of minority shareholders. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda, except the Bermuda courts would be expected to follow English case law precedent, which would permit a shareholder to bring an action in our name if the directors or officers are alleged to be acting beyond our corporate power, committing illegal acts or violating our Memorandum of Association or Bye-laws. In addition, minority shareholders would be able to challenge a corporate action that allegedly constituted a fraud against them or required the approval of a greater percentage of our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with the action.

CLASS ACTION LITIGATION DUE TO STOCK PRICE VOLATILITY COULD CAUSE US TO INCUR SUBSTANTIAL COSTS AND DIVERT OUR MANAGEMENT'S ATTENTION AND RESOURCES.

In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the integrated circuit industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices.

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Accordingly, we may in the future be the target of securities litigation. Securities litigation could result in substantial costs and could divert the attention and resources of our management.

FUTURE SALES OF OUR COMMON STOCK IN THE PUBLIC MARKET MAY DEPRESS OUR STOCK PRICE.

Future sales of a substantial number of shares of our common stock in the public market could cause our stock price to decline. As of April 30, 2001, we had 115,486,942 shares of common stock outstanding. None of these shares are currently subject to any underwriter's lock-up agreements. The market price of our stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock.

OUR BYE-LAWS CONTAIN PROVISIONS THAT COULD DELAY OR PREVENT A CHANGE IN CORPORATE CONTROL, EVEN IF THE CHANGE IN CORPORATE CONTROL WOULD BENEFIT OUR SHAREHOLDERS.

Our Bye-laws contain change in corporate control provisions which include:

- authorizing the issuance of preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms; and
- requiring two-thirds of the outstanding shares to approve amendments to our Bye-laws.

These change in corporate control provisions could make it more difficult for a third-party to acquire us, even if doing so would be a benefit to our

shareholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK. Our cash equivalents and short-term investments are exposed to financial market risk due to fluctuations in interest rates, which may affect our interest income. As of April 30, 2001, our cash equivalents and short-term investments consisted of money market securities; corporate debt securities; State, county and municipal debt securities; and foreign government securities. Due to the short-term nature of our investment portfolio, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates. We do not use our investment portfolio for trading or other speculative purposes.

FOREIGN CURRENCY EXCHANGE RISK. All of our sales and the majority of our expenses to date have been denominated in United States dollars, and, as a result, we have relatively little exposure to foreign currency exchange risk. We do not currently enter into forward exchange contracts to hedge exposures denominated in foreign currencies or any other derivative financial instruments for trading or speculative purposes. However, in the event our exposure to foreign currency risk increases, we may choose to hedge those exposures in the future.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are party to claims and litigation proceedings arising in the normal course of business. Although the legal responsibility and financial impact with respect to such claims and litigation cannot currently be ascertained, we do not believe that these matters will result in our payment of monetary damages, net of any applicable insurance proceeds, that, in the aggregate, would be material in relation to our consolidated financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this report:

10.13 Technology License Agreement dated April 23, 2001 by and between
Marvell International Limited and ARM Limited

(b) Reports on Form 8-K:

On February 5, 2001, we filed a current report on Form 8-K in connection with the completion of our acquisition of Galileo Technology Ltd.

On February 23, 2001, we filed a current report on Form 8-K in connection with the issuance of a press release dated February 22, 2001 announcing our fiscal 2001 fiscal year and fourth quarter results.

On March 20, 2001, we filed amendment No. 1 to our current report on Form 8-K filed on February 5, 2001, reporting additional financial information related to our acquisition of Galileo Technology Ltd.

On April 6, 2001, we filed a current report on Form 8-K in connection

with our issuance of a press release dated April 5, 2001, which updated our first quarter and fiscal 2002 financial outlook.

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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.

MARVELL TECHNOLOGY GROUP LTD.

June 12, 2001

Date

By: /s/ GEORGE A. HERVEY

George A. Hervey
Vice President and Chief Financial
Officer

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EXHIBIT INDEX

Exhibit Number	Description
10.13	Technology License Agreement dated April 23, 2001 by and between Marvell International Limited and ARM Limited*

* Certain portions of this exhibit have been omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission.

Certain confidential information has been omitted from this Exhibit 10.13 pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission. The omitted information is indicated by the symbol "****" at each place in this Exhibit 10.13 where the omitted information appeared in the original.

23rd April 2001

CONFIDENTIAL

LEX-TLA-1951-G

This TECHNOLOGY LICENSE AGREEMENT (the "Agreement") is made the 23rd day of April 2001 (the "Effective Date")

BETWEEN

ARM LIMITED, whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ England ("ARM")

and

MARVELL INTERNATIONAL LIMITED whose registered office is situated at Richmond House, 3rd Floor, 12 Par-la-Ville Road, P.O. Box HM 1022, Hamilton HK DX Bermuda ("LICENSEE")

ARM and LICENSEE are each also a "party" hereunder and collectively are the "parties" hereunder.

WHEREAS

ARM is the owner of certain Intellectual Property, Intellectual Property Derivatives, and the know-how to manufacture the ARM946E-S Core, ARM966E-S Core and ETM9 Macrocell as such terms are defined below.

LICENSEE has requested ARM, and ARM has agreed, to license LICENSEE to manufacture and distribute ARM Compliant Products as defined herein and thereby to make use of certain portions of the Intellectual Property and Intellectual Property Derivatives as set forth in this Agreement.

Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

1. Definitions

- 1.1 "ARM CORE" shall mean either or both as the context admits of; (i) the ARM946E-S Core; and (ii) the ARM966E-S Core.
- 1.2 "ARM946E-S CORE" shall mean the core as described and identified in the ARM946E-S Core Technical Reference Manual: DDI-0155 as set forth in Schedule 1, Section 2, Part A of this Agreement.
- 1.3 "ARM946E-S CORE TRANSFER MATERIALS" shall mean that technical information with respect to the ARM946E-S Core as set forth in Schedule 1, Section 2 of this Agreement, and subject to the payment of the Core and Macrocell Maintenance Fees (as defined in Clause 8.3) any Updates thereto.
- 1.4 "ARM966E-S CORE" shall mean the ARM966E-S Core as described and identified in the ARM datasheet numbered ARM DDI 0164.
- 1.5 "ARM966E-S CORE TRANSFER MATERIALS" shall mean that technical information with respect to the ARM966E-S Core as set forth in Schedule 1, Section 3 of this Agreement and subject to the payment of the Core and Macrocell Maintenance Fees (as defined in Clause 8.3) any Updates thereto.
- 1.6 "ARM COMPLIANT PRODUCT" or "ACP" shall mean any single silicon chip developed by LICENSEE or a Subsidiary (subject to Section 2.4), provided that such single silicon chip:

- (i) contains a Microarchitecture Compliant Core licensed from ARM; and
- (ii) contains additional LICENSEE circuitry, which adds significant functionality.

1.7 "ARMV5TE INSTRUCTION SETS" shall mean the instruction sets as are described and identified in the ARM Architecture Reference Manual: ARM DDI-0100E and such Updates thereto as ARM may from time to time release.

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

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- 1.8 "AUTHORIZED DISTRIBUTOR" shall mean those distributors, resellers, or sales representatives appointed, in writing, by LICENSEE.
- 1.9 "AVERAGE SALE PRICE" or "ASP" shall mean the average price per unit received by LICENSEE for a particular ARM Compliant Product calculated by taking the invoice price charged at arm's length negotiation terms by LICENSEE or any Subsidiary in the sale or distribution of any ARM Compliant Product (excluding Test Chips defined in Section 3 and excluding returned products), less any (i) value added, turnover, import, or other tax, duty, or tariff payable thereon and (ii) freight and insurance costs incurred (in so far as such value added, turnover, import, or other tax, duty, tariff, freight and insurance costs are charged in the sale of such ARM Compliant Products).
- 1.10 "AVS" shall mean; (i) for the ARM946E-S Core, the ARM Architectural Validation Suite in binary code format identified in Schedule 1, Section 2, Part H Item H1 of this Agreement; and (ii) for the ARM966E-S Core the ARM Architectural Validation Suite in binary code format identified in Schedule 1 Section 3 Part H item H1.
- 1.11 "CLAIMS" shall mean a written demand received by ARM from the attorneys for, and on the behalf of, a relevant third party demanding that ARM cease and desist from any identified, alleged Intellectual Property infringement.
- 1.12 "CONFIDENTIAL INFORMATION" shall mean: (i) any trade secrets relating to the ARM946E-S Core, the ARM966E-S Core, the ETM9 Macrocell, the MultiICE, the Transfer Materials and the Software designated in writing by either party, by appropriate legend, as confidential; (ii) any information designated in writing by either party, by appropriate legend, as confidential; (iii) any information which is first disclosed verbally but designated as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and (iv) the terms and conditions of this Agreement.
- 1.13 "ETM9 MACROCELL" shall mean the ARM9TDMI Embedded Trace Macrocell, as described and identified in the ETM Specification: IHI 0014 as set forth in Schedule 1, Section 4, Part A Item A1 of this Agreement.
- 1.14 "ETM9 TRANSFER MATERIALS" shall mean the ARM9TDMI Embedded Trace Macrocell Transfer Materials, as identified in Schedule 1, Section 4 of this Agreement.
- 1.15 "END USER LICENSE" shall mean a license agreement substantially conforming to that agreement set forth in Schedule 7 of this Agreement.
- 1.16 "FUNCTIONAL TEST VECTORS" shall mean; (i) with respect to the ARM946E-S Core the test vectors identified in Schedule 1, Section 2, Part D, Items D1 and D2 of this Agreement; and (ii) with respect to the ARM966E-S Core the test vectors identified in Schedule 1, Section 3, Part D, Items D1 and D2.
- 1.17 "HARVARD ARCHITECTURE" shall mean a microprocessor architecture in which

the instruction stream for the integer unit has a separate port from the data stream for such integer unit.

- 1.18 "INTELLECTUAL PROPERTY" shall mean any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, know-how, unregistered design right, trade secrets and know-how, any Intellectual Property Derivatives, and any other similar protected rights in any country.
- 1.19 "ARM INTELLECTUAL PROPERTY" shall mean any Intellectual Property which are taken into use in the design, use or production of the ARM Core, the ETM9 Macrocell, the MultiICE, the Transfer Materials, or Software.
- 1.20 "INTELLECTUAL PROPERTY DERIVATIVES" shall mean derivatives of the Intellectual Property, which term shall include: (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or mask right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patentable or patented material, any improvement; and (iv) for material protected by trade secret, any new material derived from or employing such existing trade secret.

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

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- 1.21 "MICROARCHITECTURE COMPLIANT CORE" shall mean, an implementation of the ARM946E-S Core or ARM966E-S Core as appropriate which:
- (i) executes each and every instruction in the ARMv5TE Instruction Sets;
 - (ii) executes no additional instructions to those contained in the ARMv5TE Instruction Sets;
 - (iii) exhibits a Harvard Architecture;
 - (iv) exhibits a Pipeline Length of five (5);
 - (v) is Single Issue;
 - (vi) executes all instructions at an identical rate of cycles per instruction ("CPI") to that specified in the ARM946E-S datasheet: ARM DDI-0155 for the ARM946E-S Core or the ARM966E-S Core datasheet ARM DDI 0164 for the ARM966E-S Core, and updates thereto;
 - (vi) passes the Functional Test Vectors; and
 - (vii) has been verified in accordance with the provisions of Section 3 of this Agreement.
- 1.22 "MODELS" shall mean: (i) the object code and such source code of the programs identified in Schedule 3, Section 1, Part A of this Agreement and Schedule 3, Section 2, Part A of this Agreement as may be necessary (at ARM's absolute discretion) to allow the support of multiple releases of the specified simulator; and (ii) subject to the payment by LICENSEE of the fee(s) set out in Section 8.2 of this Agreement, the object code and such source code of the programs identified in Schedule 3, Section 1, Part B of this Agreement as may be necessary (at ARM's absolute discretion) to allow the support of multiple releases of the specified simulator; together with such Updates thereof, if any, as are developed by or for ARM.
- 1.23 "MULTIICE" shall mean the single hardware device identified in Schedule 1, Section 1, Part C, Item C1 of this Agreement.

- 1.24 "PIPELINE LENGTH" shall mean the number of clocked stages through which each single-cycle instruction must pass to complete the execution of such instruction.
- 1.25 "QUARTER" shall mean each calendar quarter ending the 31st of March, 30th of June, 30th of September, and 31st of December of any year.
- 1.26 "SINGLE ISSUE" shall mean that only one instruction is issued for execution within the integer unit in any single clock cycle (where for the purposes of this definition clock shall mean the clock that advances the pipeline).
- 1.27 "SOFTWARE" shall mean together the Models, Test and Vectors.
- 1.28 "SUBSIDIARY" shall mean any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto. A company shall be considered a Subsidiary only so long as such control exists. The parties agree that "Subsidiary" shall also mean Marvell Asia Pte. Ltd, a Singapore corporation; and Galileo Technology Group Ltd., an Israeli corporation ("GALILEO").
- 1.29 "SUBSIDIARY'S UNDERTAKING" shall mean an undertaking in the form set out in Schedule 4 of this Agreement.
- 1.30 "Synthesizable RTL" shall mean (i) the rtl vectors identified in Schedule 1, Section 2, Part C item C1 and C2 of this Agreement for the ARM946E-S Core; and (ii) the rtl identified in Schedule 1, Section 3, Part C item C1 of this Agreement for the ARM966E-S Core.
- 1.31 "TEST" shall mean (i) the source code of the programs identified in Schedule 1 Section 2, Part K, Items K1 and K2 of this Agreement for the ARM946E-S Core; and (ii). the source code of the programs identified in Schedule 1

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Section 3, Part K, Items K1 and K2 of this Agreement for the ARM966E-S Core, as applicable, together with such Updates, if any, as are developed by or for ARM.

- 1.32 "TEST CHIP" shall mean (i); a device which complies with the test chip specification set forth in Schedule 1, Section 2, Part E, Item E1 of this Agreement for the ARM946E-S Core; and (ii) a device which complies with the test chip specification set forth in Schedule 1, Section 3, Part E, Item E1 of this Agreement for the ARM966E-S Core.
- 1.33 "TEST CHIP FUNCTIONAL TEST VECTORS" shall mean (i) those test vectors identified in Schedule 1, Section 2, Part I of this Agreement for the ARM946E-S Core; and (ii) those test vectors identified in Schedule 1, Section 3, Part I of this Agreement for the ARM966E-S Core.
- 1.34 "TRADEMARKS" shall mean the trademarks, service marks and logos set forth in Schedule 5 of this Agreement.
- 1.35 "TRANSFER MATERIALS" shall mean the ARM946E-S Core Transfer Materials, the ARM966E-S Core Transfer Materials and the ETM9 Transfer Materials individually or collectively, as applicable.
- 1.36 "UPDATES" shall mean any modifications, bug fixes, or enhancements that ARM makes generally available to its other commercial licensees other than as a new product.
- 1.37 "USE" shall mean copying of programs onto a computer for the purposes of processing the instructions or statements contained therein, but excluding disassembly, reverse assembly, or reverse compiling except as permitted by local legislation implementing Article 6 of the EC Software

Directive and only to the extent necessary to achieve interoperability of an independently created program with other programs. Disassembly, reverse assembly, or reverse compiling for the purpose of error correction is specifically prohibited.

2. LICENSE

2.1A ARM hereby grants to LICENSEE, under the ARM Intellectual Property rights (including any Intellectual Property rights for which ARM has the right to grant sub-licenses), a perpetual (subject to the termination provisions of this Agreement), non-transferable (subject to Section 21.3 herein), non-exclusive, world-wide right and license to:

- (i) use the MultiICE, and use and copy the ARM946E-S Core Transfer Materials, ARM966E-S Core Transfer Materials and/or any ARM Intellectual Property solely for the purposes of designing, having designed (subject to the provisions of Section 2.3 herein), manufacturing and having manufactured (subject to the provisions of Section 2.2 herein) ARM Compliant Products.
- (ii) sell, supply and distribute ARM Compliant Products, including those incorporating the ETM9 Macrocell, and authorize LICENSEE's Authorized Distributors to do the same;
- (iii) use, modify, translate, reproduce, distribute and have distributed, subject to the confidentiality obligations set forth in Section 15 herein, the documentation identified in Schedule 1, Section 2, Part A of this Agreement.

2.1B ARM hereby grants to LICENSEE, under the ARM Intellectual Property rights (including any Intellectual Property rights for which ARM has the right to grant sub-licenses), a perpetual (subject to termination provisions of this Agreement), non-transferable (subject to Section 21.3 herein), non-exclusive, world-wide right and license to use the ETM9 Transfer Materials solely for the purpose of manufacturing, having manufactured (subject to the provisions of Section 2.2 of the Agreement), designing and having designed (subject to the terms of Section 2.3 of the Agreement) the ETM9 Macrocell, provided that such ETM9 Macrocell shall be incorporated solely into an ARM Compliant Product or another product containing a different core licensed from ARM that is compatible with the ETM9 Macrocell.

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2.2 LICENSEE may exercise its right to have ARM Compliant Products manufactured by a sub-contracted manufacturer ("Manufacturer") in accordance with the provisions of Section 2.1A(i) and 2.1B of this Agreement provided that:

- (i) in respect of any Manufacturer which is not a Subsidiary of LICENSEE, LICENSEE notifies ARM of the identity of such Manufacturer not less than thirty (30) days prior to first prototype production by the Manufacturer; and
- (ii) in respect of all Manufacturers, LICENSEE ensures that each Manufacturer agrees (a) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and (b) to supply the ARM Compliant Products to be so manufactured solely to LICENSEE.

In the event that any Manufacturer breaches the provisions referred to in this Section 2.2, LICENSEE agrees to use all reasonable action, and any other actions agreed to in writing between LICENSEE and ARM to cure such breach. If LICENSEE fails to cure such breach within thirty (30) days (or

longer as agreed to in writing by the parties) , LICENSEE agrees to terminate the right of Manufacturer to produce ARM Compliant Products. Further LICENSEE agrees to indemnify ARM against all and any loss, liability, costs, damages, reasonable expenses (including the reasonable fees of lawyers and other professionals) suffered, incurred or sustained as a result of such claims, ***

2.3 LICENSEE may exercise its right to have ARM Compliant Products designed by a sub-contracted designer ("Designer") in accordance with the provisions of Section 2.1A(i) and 2.1B of this Agreement, provided that:

- (i) LICENSEE notifies ARM of the identity of LICENSEE's subcontracted designer ("Designer") within 30 days of appointment of such Designer; and
- (ii) LICENSEE ensures that any Designer agrees (i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement and (ii) to supply the ARM Compliant Products to be so designed solely to LICENSEE.

In the event that any Designer breaches the provisions referred to in this Section 2.3 of this Agreement, LICENSEE agrees to use all reasonable action, and any other actions agreed to in writing between LICENSEE and ARM to cure such breach. If LICENSEE is unable to cure such breach within thirty (30) days (or longer as agreed to in writing by the parties), LICENSEE agrees to terminate the right of such Designer to develop ARM Compliant Products. Further, LICENSEE agrees to indemnify ARM against all and any loss, liability, costs, damages, reasonable expenses (including the reasonable fees of lawyers and other professionals) suffered, incurred or sustained as a result of such claims, ***

2.4 During the term of this Agreement, any Subsidiary of LICENSEE may exercise the licenses and rights granted under this Agreement by ARM provided that:

- (i) such Subsidiary agrees in writing, as set forth in Schedule 4 of this Agreement, to be bound by the obligations of LICENSEE and to comply with all the terms and conditions of this Agreement. LICENSEE shall deliver to ARM a duly executed copy of the Subsidiary's Undertaking within thirty (30) days of the date of execution of such undertaking;
- (ii) any breach of the terms and conditions of this Agreement by a Subsidiary of LICENSEE shall constitute a breach of this Agreement by LICENSEE and such Subsidiaries shall be jointly and severally liable for any damages suffered by ARM as a result of such breach;
- (iii) any termination of this Agreement as provided in Sections 19 of this Agreement shall be effective in respect of all Subsidiaries of LICENSEE; and
- (iv) any license, granted in accordance with the provisions of this Section 2.4 of this Agreement, shall automatically terminate, in respect of a Subsidiary upon such Subsidiary ceasing to be a Subsidiary of LICENSEE.

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2.5 For the avoidance of doubt, no right is granted to LICENSEE to:

- (i) sub-license the rights licensed to LICENSEE pursuant to Section 2.1A and 2.1B of this Agreement; and
- (ii) distribute any ARM Compliant Product prior to verification in accordance with Section 3 herein except that in the event that it is the intention of LICENSEE, and LICENSEE does proceed, to verify

a device in accordance with Section 3 herein, LICENSEE may distribute *** prototype units of such device without having verified such device provided that LICENSEE provides written evidence to ARM that (a) the recipient of such devices is aware that such device has not passed the verification process and (b) the recipient has agreed to keep the recipient's use of the non-verified device as confidential.

2.6 Except as licensed in this Section 2, LICENSEE acquires no right, title or interest in and to the ARM Core, the ETM9 Macrocell, the ARM Transfer and ARM's Intellectual Property therein. In no event shall the license grant set forth in this Section 2 be construed as granting LICENSEE, expressly or by implication, by estoppel or otherwise, a license to use any ARM technology or ARM Intellectual Property other than that covered by the terms of this Agreement.

3. VERIFICATION OF MICROARCHITECTURE COMPLIANT CORE

3.1 In respect of each implementation of an ARM Core, LICENSEE shall use the relevant Synthesizable RTL to generate a pre-layout synthesized netlist, (each a "PRE-LAYOUT SYNTHESIZED NETLIST").

3.2 In respect of each implementation of an ARM Core, LICENSEE shall produce a post layout synthesized netlist which; (a) obeys LICENSEE's Synthesis Timing Constraints File in respect of such synthesis; and (b) includes back annotated delays derived from the physical layout (each a "POST LAYOUT SYNTHESIZED NETLIST").

VERIFICATION BY EQUIVALENCE CHECKING OF RTL AND SYNTHESISED NETLIST

3.3 LICENSEE may verify the Post Layout Synthesized Netlist using an equivalence checker, if LICENSEE elects such verification LICENSEE shall; (i) using an equivalence checker compare the Pre-Layout Synthesized Netlist with the Synthesizable RTL and generate the equivalence check log results (each the "RTL EQUIVALENCE LOG RESULTS"); (ii) using an equivalence checker compare the Post-Layout Synthesized Netlist with the Pre-Layout Synthesized Netlist and generate the equivalence check log results (each the "POST LAYOUT EQUIVALENCE LOG RESULTS"); (iii) simulate the Functional Test Vectors on the Post-Layout Synthesized Netlist and generate the log results (each the "TEST VECTOR LOG RESULTS"); and (iv) run static timing analysis on the Post-Layout Synthesized Netlist and generate the log results (each the "STA LOG RESULTS").

When the RTL Equivalence Log Results, Post Layout Equivalence Log Results, Test Vector Log Results and the STA Log Results ("EQUIVALENCE LOG RESULTS") indicate that no errors have been detected (or the parties have jointly agreed in good faith, a waiver in respect of any errors), LICENSEE shall submit the Equivalence logs to ARM. The Post Layout Synthesized Netlist shall be verified on ARM's acceptance of the Equivalence Results. ARM shall notify LICENSEE in writing within ten (10) working days of receipt the Equivalence Log Results to ARM, whether or not the Post Layout Synthesized Netlist has been verified. The parties shall repeat the above process until either; (i) the Post Layout Synthesized Netlist has been verified; or (ii) LICENSEE withdraws the Post Layout Synthesized Netlist from the verification process.

For each synthesis used to manufacture ARM Compliant Products, LICENSEE shall maintain a copy of the Pre-Layout Synthesized Netlist, Post-Layout Synthesized Netlist and copies of the Equivalence Log Results. ARM may, upon reasonable written notice audit the LICENSEE's records for the purpose of satisfying itself that LICENSEE has complied with the provisions of this Clause 3.3.

VERIFICATION BY SIMULATION OF SYNTHESISED NETLIST

3.4 LICENSEE may verify the Post Layout Synthesized Netlist (defined in Clause 3.2) using the Synthesizeable

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Functional Test Vectors. If LICENSEE elects such verification, LICENSEE shall; (i) simulate the Functional Test Vectors on the Post Layout Synthesized Netlist and generate the log results (each the "TEST VECTOR LOG RESULTS"); (ii) simulate the AVS on the Post Layout Synthesized Netlist and generate the log results (each the "AVS LOG RESULTS"); and (iii) run static timing analysis on the Post-Layout Synthesized Netlist and generate the log results (each the "STA LOG RESULTS").

When the Test Vector Log Results, the AVS Log Results and the STA Log Results (together the "SIMULATION LOG RESULTS") indicate that no errors have been detected (or the parties have jointly agreed in good faith, a waiver in respect of any errors, LICENSEE shall submit the Simulation Log Results to ARM. The Post Layout Synthesized Netlist shall be verified on ARM's acceptance of the Simulation Log Results. ARM shall notify LICENSEE in writing within ten (10) working days of receipt of the Simulation Log Results, whether or not the Post Layout Synthesized Netlist has been verified. The parties shall repeat the above process until either; (i) the Post Layout Synthesized Netlist has been verified; or (ii) LICENSEE withdraws the Post Layout Synthesized Netlist verification process.

For each synthesis used to manufacture ARM Compliant Products, LICENSEE shall maintain a copy of the Post-Layout Synthesized Netlist together with copies of the Simulation Log Results. ARM may upon reasonable written notice audit the LICENSEE's records for the purpose of satisfying itself that LICENSEE has complied with the provisions of this Clause 3.4.

LICENSEE SPECIFIED VERIFICATION

3.5 LICENSEE may verify the each ARM Core using the LICENSEE's specified verification flow. If LICENSEE elects such verification, LICENSEE shall, inform ARM in writing at least ninety (90) days prior to tapeout of an ARM Compliant Product that LICENSEE wishes to use LICENSEE's specified verification flow and supply to ARM a copy of the proposed verification flow (each a "VERIFICATION FLOW"). Within 30 days of the receipt of the Verification Flow ARM shall notify LICENSEE in writing whether the Verification Flow has been accepted by ARM. If accepted by ARM, LICENSEE shall verify such ARM Compliant Products using the Verification Flow. If after acceptance of the Verification Flow by ARM, LICENSEE wishes to modify the Verification Flow LICENSEE shall submit a the modified Verification Flow to ARM for reacceptance prior to verifying the relevant ARM Core.

If ARM rejects either the Verification Flow or any modified Verification Flows, ARM shall provide LICENSEE with written reasons for such rejection together with any required changes. LICENSEE may resubmit the Verification Flow or any modified versions thereof to ARM for acceptance.

3.6 If ARM fails to accept the Verification Flow LICENSEE shall; (i) verify the Post Layout Synthesized Netlist in accordance with either the provisions of Clauses 3.3 or 3.4; or (ii) produce and verify a Test Chip in accordance with the provision of Clause 3.8.

VERIFICATION BY TEST CHIP

3.7 If LICENSEE fails to verify either (i) the Post Layout Synthesized Netlist (as defined in Clause 3.2), or the ARM Core in accordance with the provisions of Clause 3.5, LICENSEE shall design (or have designed) and manufacture (or have manufactured) a Test Chip, for the first Microarchitecture Compliant Core derived from the Transfer Materials for each ARM Core

3.8 LICENSEE shall, in respect of each Test Chip, run:

- (i) the Test Chip Functional Test Vectors, on each Test Chip and deliver to ARM a copy of the log (each the "TEST CHIP TEST VECTOR LOG RESULTS") generated by running the Test Chip Functional Test Vectors together with five (5) samples of the Test Chip; and
- (ii) the AVS on each Test Chip and deliver to ARM a copy of the log (each the "TEST CHIP AVS RESULTS") generated by running the AVS.

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ARM may, at ARM's discretion, exercise the right to run the Test Chip Functional Test Vectors and/or AVS on any Test Chip. The Microarchitecture Architecture Compliant Core shall be verified upon:

- (A) ARM's acceptance of the Test Chip Test Vector Log Results delivered by LICENSEE. The Test Chip Test Vector Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties; and
- (B) ARM's acceptance of either the Test Chip AVS Results (a) delivered by LICENSEE or (b) generated by ARM. The Test Chip AVS Results shall be accepted when they indicate that no differences have been detected between the Test Chip AVS Results and the AVS reference file supplied by ARM or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

ARM shall notify LICENSEE, in writing, within thirty (30) days of delivery by LICENSEE of the Test Chip Test Vector Log Results, Test Chip AVS Results and Test Chip samples to ARM, whether a Test Chip has been verified or has failed the verification process. In the event that any Test Chip fails the verification process, ARM shall provide details of the errors that cause the failure to LICENSEE and LICENSEE shall endeavour to correct the errors. The parties shall repeat the above process until either; (i) the Test Chip is verified; or (ii) LICENSEE withdraws the Test Chip from the verification process. In the event that ARM fails to confirm the result of the verification process within the Verification Period, the Test Chip subject to the verification process shall be deemed verified.

3.8 If either (i) the Post Layout Synthesized Netlist has been verified in accordance with the provisions of Clause 3.3, 3.4 or 3.5; or (ii) the Test Chip has been verified in accordance with the provisions of Clauses 3.7, and no errors have been detected (or where any errors have been detected the parties have jointly agreed, in good faith, a waiver), LICENSEE may distribute such ARM Compliant Product without further verification.

4. MODELS

4.1 ARM hereby grants to LICENSEE, under the ARM Intellectual Property rights (including any Intellectual Property rights for which ARM has the right to grant sub-licenses), a perpetual (subject to termination provisions of this Agreement), non-transferable (subject to Section 21.3 herein), non-exclusive, world-wide, royalty-free right and license to:

- (i) copy and use, internally and for third party support purposes, the Models and related documentation;
- (ii) use, copy, distribute, and sub-license (provided that the end user agrees to be bound by the End User License) the Use of the object code of the Models identified in Schedule 3, Section 1, Part A of this Agreement and Schedule 3, Section 2, Part A of this Agreement.
- (iii) sub-license the distribution rights granted to LICENSEE in Section 4.1(ii) herein to Authorized Distributors; and
- (iv) modify, copy, use and distribute, in connection with the Models identified in Schedule 3, Section 1, Part A of this Agreement and

Schedule 3, Section 2, Part A of this Agreement, the documentation related thereto.

- 4.2 Except as provided by Section 4.1(ii) and (iii) herein, no right shall be granted to LICENSEE to sub-license the right to sell, supply or otherwise distribute the Models.
- 4.3 For a limited period of *** from the Effective Date, LICENSEE may extend the licenses contained in Section 4.1 hereof so as to include additional simulator-specific Models specified in Schedule 3, Section 1, Part B of this Agreement and Schedule 3, Section 2, Part B of this Agreement by giving written notice to ARM, referring to this Section 4.3, together with payment, to ARM, of the Model Option Fee and an acknowledgement that LICENSEE shall pay the Model Option Maintenance Fees in accordance with the provisions of Section 8.2 herein.

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5. TEST LICENSE

- 5.1 ARM hereby grants to LICENSEE a non-transferable (subject to Section 21.3 herein), non-exclusive, world-wide right and license under the ARM Intellectual Property rights, to reproduce and use internally only, the Test and relevant Test documentation.
- 5.2 For the avoidance of doubt, except where both parties have agreed in writing, no right is granted to LICENSEE to sell, supply or otherwise distribute the Test.

6. OWNERSHIP OF THE SOFTWARE

- 6.1 In no event shall the license grants set forth in Sections 4.1 and 5.1 hereof be construed as granting LICENSEE, expressly or by implication, by estoppel, or otherwise, a license under any ARM technology other than the Software and related documentation.
- 6.2 Except as licensed to LICENSEE in Sections 4.1 and 5.1 hereof, all right, title, and interest in and to the Software and related documentation shall remain vested in ARM.
- 6.3 LICENSEE shall reproduce and not remove or obscure any notice incorporated in the Software or related documentation by ARM to protect ARM's Intellectual Property rights or to acknowledge the copyright and/or contribution of any third party developer. LICENSEE shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of Software and related documentation used or distributed by LICENSEE.

7. TRADEMARK LICENSE/PROMOTIONAL OBLIGATIONS

- 7.1 ARM hereby grants to LICENSEE a non-transferable (subject to Section 21.3 of the Agreement), non-exclusive, royalty-free, world-wide right and license under ARM's Intellectual Property rights, to use the Trademarks in the promotion and sale of the ARM Compliant Products.
- 7.2 LICENSEE shall use the Trademarks in accordance with ARM's guidelines set forth in Schedule 5 of this Agreement (the "Guidelines"), on (i) all ARM Compliant Products sold or distributed by LICENSEE and (ii) all documentation, promotional materials and software associated with such ARM Compliant Products. ARM shall have the right to revise Schedule 5 of this Agreement and the Guidelines (including the right to add further trademarks or modify the Trademarks), provided that such revisions are made in respect of the Guidelines issued to all licensees of the Trademarks. Any such revisions shall be effective only with respect to printed materials and products to be produced or manufactured after ninety (90) days from receipt of ARM's written notice to LICENSEE.

- 7.3 Upon request by ARM, LICENSEE shall submit samples of documentation, packaging, and promotional, advertising materials or URLs bearing the Trademarks to ARM from time to time in order that ARM may verify compliance with the Guidelines. In the event that any documentation, packaging, promotional, advertising material or URL fails to comply with the Guidelines, ARM shall notify LICENSEE and LICENSEE shall rectify such documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any such non-compliant materials within sixty (60) days of the date of ARM's notice. Any documentation, packaging, and promotional or advertising materials or URLs not rejected, in writing, for failing to comply with the Guidelines by ARM within ten (10) business days after delivery to ARM shall be deemed approved.
- 7.4 LICENSEE agrees to assist ARM, at ARM's expense and upon ARM's reasonable request, in maintaining the validity of the Trademarks. Upon ARM's request, LICENSEE shall provide, free of charge, a reasonable number of samples of the use of the Trademarks for the purpose of trademark registration or renewal. At ARM's expense, LICENSEE shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM by, upon ARM's request, executing any reasonable documents required by the applicable laws of any jurisdiction for the purpose of registering and/or maintaining the Trademarks. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

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- 7.5 Except as provided by the terms of this Agreement, LICENSEE shall not use or register any of the Trademarks, or any trademark, service mark, device, logo word or mark that is confusingly similar to any of the Trademarks, in any jurisdiction.
- 7.6 LICENSEE agrees to perform the promotional obligations set forth in Schedule 9 attached hereto.
8. LICENSE FEES AND ROYALTIES
- 8.1 In consideration of the licenses granted to LICENSEE for the ARM946E-S Core ARM966E-S Core and the ETM9 Macrocell, LICENSEE shall pay the license fees ("License Fees") set out in Schedule 8, Part A of this Agreement.
- 8.2 Upon giving written notice to include additional simulator-specific Models under the provisions of Section 4.3 hereof, LICENSEE shall pay, to ARM, the fee ("Model Option Fee") in accordance with Schedule 8, Part B of this Agreement together with an acknowledgement that LICENSEE shall pay the fees ("Model Option Maintenance Fees") in accordance with the provisions of Schedule 8, Part F of this Agreement.
- 8.3 In consideration of the ARM Core and the ETM9 Macrocell maintenance services provided under Section 11 herein, LICENSEE shall pay, to ARM, the fees ("Core and Macrocell Maintenance Fees") set out in Schedule 8, Part C of this Agreement.
- 8.4 In consideration of the Software Maintenance Services provided under Section 12 herein, LICENSEE shall pay, to ARM, the fee ("Software Maintenance Fee") set out in Schedule 8, Part D of this Agreement.
- 8.5 In consideration of the support services provided under Section 13 herein, LICENSEE shall pay, to ARM, the fee ("Support Fees") set out in Schedule 8, Part E of this Agreement.
- 8.6 For each ARM Compliant Product that contains a single ARM Core, that is

sold, supplied or distributed by LICENSEE (including by any Subsidiary, as permitted by this Agreement), LICENSEE shall pay a royalty ("Running Royalty") in accordance with Section 8.6.1 set forth below.

8.6.1 ARM Core Running Royalties.

In an ARM Compliant Product with a single ARM Core embedded into the same piece of silicon, the ARM Core Running Royalty payable by LICENSEE in any Quarter shall be dependent on (i) the ARM Core ASP; (ii) the cumulative volume of ARM Compliant Products containing the ARM Core sold or distributed by LICENSEE (including by any Subsidiary, as permitted by this Agreement) determined by column A in the table below; and (iii) the Royalty Percentage of ASP determined by column B in the table below.

TABLE 1:

A	B	
CUMULATIVE VOLUME OF ACPS CONTAINING AN ARM946E-S CORE OR AN ARM966E-S CORE.	ASP < US\$***	ASP >US\$***
0 - *** units	The greater of *** of the ASP or US\$***	US\$***
*** - ***	The greater of *** of the ASP or US\$***	US\$***
*** - ***	The greater of *** of the ASP or US\$***	US\$***
*** - ***	The greater of ***of the ASP or US\$***	US\$***

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***	The greater of *** of the ASP or US\$***	US\$***
-----	---	---------

The number of ARM Compliant Products distributed by LICENSEE or its Subsidiaries which have an ASP of less than or equal to *** shall not be counted in the number of units shipped which are greater than ***.

8.6.2 Multiple Core Running Royalties for an ARM Core

In an ARM Compliant Product with more than one ARM Core embedded into the same piece of silicon, the following multiplier factors set forth in Table 2 shall be applied to the cumulative volume of each ARM Compliant Product containing more than one ARM Core.

Multiple ARM Core Running Royalty = N x M x (cumulative volume of each ARM Compliant Product containing more than one ARM Core set out in column A of Table 1) x (the appropriate Royalty Percentage of ASP determined by column B of Table 1).

N = using Table 2, the number of ARM Cores embedded on the same piece of silicon;

M = using Table 2, the applicable multiplier.

TABLE 2:

TOTAL NUMBER OF ARM CORE EMBEDDED ON THE SAME PIECE OF SILICON (N)	MULTIPLIER (M)
1	***
2	***
3	***
4	***
>=5	***

- 8.7 Running Royalties due to ARM under this Agreement shall be paid in accordance with the terms set forth in Schedule 6 of this Agreement.
- 8.8 In no event shall any fee be construed as being an advance payment of Running Royalties and no right of set off of Running Royalties against any fee or maintenance fees paid to ARM, by LICENSEE, shall exist. LICENSEE shall not manipulate distribution of ARM Compliant Products for the purpose of avoiding payment of Running Royalties at a higher rate than would have been the case if such manipulation had not taken place.
- 8.9 LICENSEE shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Section 8 for a period of four (4) years from the date of each Royalty Report.
- 8.10 ARM shall have the right for representatives of a firm of independent Chartered Accountants reasonably acceptable to LICENSEE, who shall have signed an appropriate non disclosure agreement, to which LICENSEE shall not unreasonably object ("Auditors"), to make an examination and audit, by prior appointment agreed between the parties, such agreement not to be unreasonably withheld, during normal business hours, not more frequently than once annually, of all records and accounts as may under recognized accounting practices contain information bearing upon: (i) LICENSEE's financial obligations under this Agreement, including but not limited to the amounts of fees payable to ARM under this Section 8; (ii) the LICENSEE ASP and the number of chips of ARM Compliant

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Products sold or distributed by LICENSEE under this Agreement; (iii) the amounts of Running Royalties payable to ARM under this Section 8; (iii) information, calculations, methods, and systems used to calculate the fees and Running Royalties payable under this Agreement; and (iv)

LICENSEE's compliance with the tax provisions of Section 8.11 herein. The Auditors will only report to ARM upon whether LICENSEE has satisfied its financial obligations under this Agreement, including whether the fees and Running Royalties paid to ARM by LICENSEE were or were not correct, and if incorrect, what are the correct amounts for the fees and Running Royalties. No other information learned by the Auditors in the conduct of such audit may be disclosed to ARM without LICENSEE's prior written consent. LICENSEE shall be supplied with a copy of or sufficient extracts from any preliminary and final report prepared by the Auditors. The Auditor's report shall (in the absence of clerical or unreasonable error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an under payment of fees and Running Royalties of five percent (5%) or more, in which case LICENSEE shall reimburse ARM for the costs of such audit. LICENSEE shall make good any underpayment of royalties forthwith. If the audit identifies that LICENSEE has made an overpayment, such overpayment will be credited to the next such payment or payments to be made by LICENSEE, if no such payments are due or expected to become due, then ARM shall return such overpayment immediately to LICENSEE.

- 8.11 Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any license fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such license fees and/or royalties otherwise due, provided, however, that in regard to any such deduction, LICENSEE shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.
- 8.12 LICENSEE shall pay all fees and royalties due to ARM under the terms of this Agreement within forty-five (45) days of receipt of ARM's invoice therefor (the "Due Date").
- 8.13 If any sum under this Agreement is not paid by the relevant due date, then ARM shall notify LICENSEE, in writing, of such non-payment and request payment of such unpaid sums forthwith. Without prejudice to ARM's other rights and remedies, ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from ten (10) days of the date of dispatch of such written notification date to the date of payment at the rate of two and a half percent (2.5%) per annum above the base rate of National Westminster Bank PLC from time to time in force.
9. DELIVERY
- 9.1 ARM shall deliver the Transfer Materials and the Software in accordance with the delivery schedule set forth in Schedule 2 of this Agreement.
- 9.2 Unless otherwise agreed in writing, delivery by ARM shall be by electronic format to the extent possible or shall take place at a location mutually agreed between the parties, and shall be marked for the attention of the person designated by LICENSEE for design transfer and support according to Section 10.1 hereof.
- 9.3 In the period ending *** from the Effective Date, ARM shall provide to LICENSEE free of charge one (1) port to TSMC's generic process rules of either the ARM946E-S Core or the ARM966E-S Core. The details of the deliverables including delivery schedules shall be set out in a separate written agreement to be entered into between the parties.

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

10. CONTRACT ADMINISTRATORS

10.1 The parties hereby appoint the following individuals as their respective

contract administrator between ARM and LICENSEE with respect to this Agreement:

ARM:

LICENSEE:

For legal notices:

Executive VP Corporate Alliances General Counsel

ARM Limited Marvell Semiconductor, Inc.

110 Fulbourn Road 645 Almanor Avenue

Cherry Hinton Sunnyvale, California 94085

Cambridge Telephone: (408) 522-2309

CB1 9JN Facsimile: (408) 328-0918

England

For corporate issues:

cc:

Chief Operating Officer Same title at the address above

At the Cambridge address above

For financial matters:

Financial Controller VP, Chief Financial Officer

At the Cambridge address above At the address above

For Confidential Information:

New Product Licensing General Counsel

At the Cambridge address above At the address above

For design transfer and support:

Bryn Parry or Mark Evans

10.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf of all communications relating to this Agreement. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

10.3 Each party reserves the right to change its appointment as above upon seven (7) days written or electronic notice to the other party's then current corresponding liaison.

11. CORE AND MACROCELL MAINTENANCE SERVICES

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

11.1 Subject to LICENSEE's payment of the Core and Macrocell Maintenance Fees set forth in Schedule 8, Part C of this Agreement, ARM shall provide to LICENSEE, in respect of the Transfer Materials, through the parties' contract administrator, the following maintenance services for the period of TWO (2) years from the Effective Date:

- (i) the correction, to the extent reasonably possible, of any defects in the ARM Core or the ETM9 Macrocell which cause such ARM Core or ETM9 Macrocell not to operate in accordance with the functionality described in the relevant datasheet and other applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the technical reference manual and shall not be required to correct the Transfer Materials, provided that LICENSEE is not thereby prevented from commercially exploiting the ARM Core and/or the ETM9 Macrocell;
- (ii) any bug-fixes or corrections to the ARM Core and the ETM9 Macrocell made available by ARM to any third party; and
- (iii) all modifications, enhancements and other Updates to the ARM Core, and the ETM9 Macrocell created by ARM, provided that ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product and ARM makes such modification, enhancement or update available to other licensees only as a new product.

11.2 Upon LICENSEE requesting ARM's assistance pursuant to the provision of Section 11.1 hereof, LICENSEE shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

11.3 In notifying ARM of any defects or problems LICENSEE shall use the format and medium reasonably requested by ARM. LICENSEE shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

11.4 The maintenance services shall be provided at ARM's premises in Cambridge, England.

11.5 For the avoidance of doubt, ARM's obligation under this Section 11 is limited expressly to the provision of the maintenance services to LICENSEE and Subsidiaries of LICENSEE pursuant to Section 2.4 above, and ARM shall be under no obligation to provide the maintenance services to

LICENSEE's customers.

- 11.6 Any and all corrections, bug fixes, modifications, enhancements and other Updates to be provided to LICENSEE under this Section 11 shall be provided to LICENSEE within a commercially reasonable time, but in any event no later than they are made available to other ARM licensees licensing the same cores.
- 11.7 In the event that LICENSEE requests that ARM continue to provide maintenance services after the expiration of the second (2nd) anniversary of the Effective Date, the annual maintenance fees payable in respect of any subsequent year shall be determined by good faith negotiations between LICENSEE and ARM. However, ARM shall be under no obligation to provide the maintenance services, in respect of any subsequent year, until the annual maintenance fees have been agreed and paid to ARM.

12. SOFTWARE MAINTENANCE SERVICES

- 12.1 In consideration of the Software Maintenance Fees paid under this Agreement as set out in Schedule 8, Part D hereof, ARM shall provide to LICENSEE, in respect of the Software, through the parties' applicable contract administrator, the following maintenance services for the period of three (3) years from the Effective Date:
- (i) to correct, to the extent reasonably possible, any defects in the Software which cause the Software not to operate in accordance with the description of the Software's function in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the documentation and shall not be required to alter the Software, provided that LICENSEE is not thereby prevented from commercially exploiting the Software. Such corrections shall be provided to LICENSEE within a commercially reasonable time, but in any event no later than they are made available to other ARM licensees licensing the same cores.

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- (ii) to provide as available Updates to the Software. Such Updates shall be provided to LICENSEE within a commercially reasonable time, but in any event no later than they are made available to other ARM licensees licensing the same cores.
- 12.2 LICENSEE shall promptly notify ARM of any error manifesting itself in the Software. In respect of those errors which LICENSEE requires correction, LICENSEE shall deliver to ARM an error report with sufficient description of the error to enable ARM to provide correction to such error.
- 12.3 For the avoidance of doubt, unless otherwise agreed between the parties, in writing, ARM's obligation under this Section 12 is limited expressly to the provision of the Software maintenance services to LICENSEE and Subsidiaries of LICENSEE pursuant to Section 2.4, and ARM shall be under no obligation to provide the maintenance services to LICENSEE's sub-licensees of the Software.
- 12.4 In the event that LICENSEE requests that ARM continue to provide software maintenance services after the expiration of the third (3rd) anniversary of the Effective Date, the annual software maintenance fees payable in respect of any subsequent year shall be determined by good faith negotiations between LICENSEE and ARM. However, ARM shall be under no obligation to provide the software maintenance services, in respect of any subsequent year, until the annual software maintenance fees have been agreed and paid to ARM.
- ## 13. SUPPORT

- 13.1 In consideration of the Support Fees paid under this Agreement as set out in Schedule 8, Part E hereof, ARM shall provide to LICENSEE, in respect of the Software, the ARM Core, the ETM9 Macrocell, and the Transfer Materials through the parties' contract administrator, for a period of two (2) years from the Effective Date, reasonable telephone and written consultation pertaining to the operation and application of the Software, the ARM Core, the ETM9 Macrocell, and the Transfer Materials.
- 13.2 For the avoidance of doubt, ARM's obligation under this Section 13 is limited expressly to the provision of the support services solely to LICENSEE and Subsidiaries of LICENSEE pursuant to Section 2.4 above.
- 13.3 The services provided under this Section 13 shall together be limited to a total of twenty (20) person days per annum for the ARM Core and a total of four (4) person days per annum for the ETM9 Macrocell. For purposes of this Section, each "day "consists of 8 hours and is calculated based on the time during which ARM is actually analyzing, investigating or resolving a particular support request made by LICENSEE. If requested by LICENSEE, ARM shall provide additional support services in blocks of ten (10) days per annum at ARM's then prevailing consultancy rates.
- 13.4 In the event that LICENSEE requests that ARM continue to provide support services after the expiration of the second (2nd) anniversary of the Effective Date, the annual support fees payable in respect of any subsequent year shall be determined by good faith negotiations between LICENSEE and ARM. However, ARM shall be under no obligation to provide the support services, in respect of any subsequent year, until the annual support fees have been agreed and paid to ARM

14. TRAINING

- 14.1 ARM shall provide to LICENSEE, at a mutually convenient date, two (2) four-day standard ARM training courses to a maximum of twenty-four (24) of LICENSEE's development, operations, customer service, and application engineering personnel. The training shall be provided at ARM's premises in Cambridge, England.
- 14.2 ARM may, at LICENSEE's request, and subject to availability of resources, provide further such training courses at ARM's then standard rates.

15. CONFIDENTIALITY

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

- 15.1 Except as provided by Section 15.2 herein, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own like information, but not less than a reasonable degree of care, to prevent unauthorized disclosure and use of the Confidential Information. Except as provided in Section 15.2, the period of confidentiality shall be: (i) indefinite with respect to the terms of this Agreement, pattern generation tapes and photomasks; provided, however, that LICENSEE shall have the right to disclose pertinent sections of the Agreement to third parties which have entered into confidentiality agreements with LICENSEE for the purposes of having ARM Compliant Products developed, designed and/or manufactured for LICENSEE by such third party; (ii) twenty (20) years from the date of receipt by LICENSEE with respect to all deliverables identified in the Schedules hereto as confidential or having limited confidentiality, i.e. denoted as such by the letters "C" or "L" in the "Status" column, together with any comparable technical information supplied by ARM to LICENSEE or its Subsidiaries during the term of this Agreement (together "Confidential Deliverables"); and (iii) five (5) years from the date of receipt of the information by the receiving party with respect to all other information.

15.2 In the event that either party qualifies the confidentiality of any of its Confidential Information in writing by marking such Confidential Information with the words "Limited Confidentiality", such Confidential Information ("Limited Confidential Information") may be disclosed to a third party who has entered into a non disclosure agreement ("NDA") with the recipient containing substantially similar terms to this Section 15.2. With respect to the disclosure of business Confidential Information the obligation to hold such Confidential Information in confidence may be limited in duration to a period of not less than three (3) years from the date of disclosure. With respect to the disclosure of technical Confidential Information the obligation to hold such Confidential Information in confidence may be limited in duration to a period of not less than five (5) years from the date of disclosure. Notwithstanding the foregoing, LICENSEE shall have the right to disclose Confidential Information to a third party under an NDA containing substantially similar terms to this Section 15.2 for the purposes of having ARM Compliant Products developed, designed or manufactured for LICENSEE by such third party. Any and all Confidential Information disclosed by LICENSEE to a third party pursuant to an NDA under the terms set forth in Sections 15.1 or 15.2 hereof must be destroyed or returned to ARM at the end of the relevant NDA period or upon termination of this Agreement, whichever is sooner.

15.3 The provisions of this Section 15 shall not apply to information which:

- (i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or
- (ii) is published or otherwise made available to the public other than by a breach of this Agreement by a party hereto; or
- (iii) is disclosed to the receiving party by a third party having the lawful right to make such disclosure; or
- (iv) is independently conceived by the receiving party, provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or
- (v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or
- (vi) as required by any court or other governmental body ; or
- (vii) is approved by the disclosing party for release not under a NDA designating the information as Confidential Information; or
- (viii) is released to a third party by the disclosing party and designated as non-confidential.

15.4 For the avoidance of doubt, LICENSEE Royalty Reports may be disclosed, in confidence, to ARM's financial and/or legal advisors. In addition, ARM may disclose the total unit sales of ARM Compliant Products aggregated with total unit sales of ARM compliant products of other ARM licensees in the same market segment, provided always that ARM shall not disclose LICENSEE'S identity without LICENSEE's prior written consent.

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

15.5 The parties agree that the disclosure of Confidential Information to a party hereunder shall be coordinated through the appointed contract administrators identified for such purpose in Section 10.1 hereof.

16. WARRANTIES

16.1 ARM warrants that the Transfer Materials delivered to LICENSEE will be

sufficient for a competent semiconductor manufacturer to produce an ARM Core or an ETM9 Macrocell as appropriate which meets the functionality specified in the applicable technical reference documentation. *** LICENSEE's sole and exclusive remedy for any breach of the warranties in this Clause 16.1 shall be for ARM to correct any errors in the Transfer Materials and deliver such corrected Transfer Materials to LICENSEE or replace the materials at ARM's discretion.

- 16.2 LICENSEE acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. However, ARM warrants that the Software will be complete and comply with the description of its functionality specified in the documentation. LICENSEE's sole and exclusive remedy for any breach of such warranty shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LICENSEE.
- 16.3 ARM warrants that as of the Effective Date, there are no pending Claims that have been made or actions commenced against ARM for breach of any third party Intellectual Property right.
- 16.4 ARM further warrants that based on ARM's knowledge, but expressly without having undertaken any searches for prior art, that:
- (i) as of the Effective Date, the Transfer Materials do not infringe any third party copyright, trade secret or mask work rights;
 - (ii) ARM, or its applicable licensor, is the owner of the Transfer Materials to be delivered to LICENSEE; and
 - (iii) ARM has the right to enter into the Agreement.
- 16.5 Except as expressly provided in this Agreement, the Transfer Materials, the MultiICE, the Software, Updates and ARM Intellectual Property contained therein are licensed "as is" and ARM makes no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose with respect to the ARM Core, the ETM9 Macrocell, Transfer Materials, the MultiICE, the Software, the Updates and ARM Intellectual Property contained therein.

17. INFRINGEMENT

- 17.1 In the event of a suit against LICENSEE based upon a claim that any or all of the ARM Core, the ETM9 Macrocell, the MultiICE, the Software or any portion of the Transfer Materials, and any Updates to any of the foregoing, delivered by ARM to LICENSEE under this Agreement (the "Delivered Materials"), when used in accordance with this Agreement, infringe any patent, copyright, maskwork right, trademark or trade secret or other Intellectual Property right, ARM agrees to defend and indemnify LICENSEE, at ARM's expense, and to pay costs and damages finally awarded in any such suit subject to the limitations of this Clause 17.1, provided that ARM is notified promptly in writing of the suit, LICENSEE has not reached any compromise or settlement of such suit or made any admissions in respect of the same, and at ARM's expense is given control of the suit and all requested reasonable assistance to defend the same. If the use or sale of any product incorporating, embodying or based upon the Delivered Materials is enjoined as a result of such suit, ARM, at its sole option and at no expense to LICENSEE, shall promptly (a) obtain for LICENSEE the right to use the Delivered Materials in accordance with the license grants contained in this Agreement; (b) shall make a modification of the Delivered Materials so that the Delivered

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Materials are no longer subject to such injunction, or (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products. If (a), (b) and (c) are not available or commercially practical, then ARM shall pay to LICENSEE compensatory damages, subject to the limitations of this Section 17.1. The provisions of this Section 17.1 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other proprietary right by: (a) LICENSEE's manufacturing process; (b) any modification of the Delivered Materials not made or authorized by ARM; or (c) the use of the Delivered Materials, in combination with other equipment, technology or software not purchased or licensed from ARM, provided that such claim would not have occurred but for such process, combination, modification or enhancement. THE FOREGOING STATES THE ENTIRE LIABILITY OF ARM WITH RESPECT TO INTELLECTUAL PROPERTY INFRINGEMENT. IN NO EVENT SHALL ARM BE LIABLE TO LICENSEE FOR INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING THEREFROM. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, ARM SHALL NOT BE LIABLE TO LICENSEE FOR ANY AMOUNTS IN EXCESS OF *** UNDER THIS AGREEMENT FOR ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THE PROVISIONS OF THIS SECTION 17.1. THE EXISTENCE OF MORE THAN ONE CLAIM OR SUIT WILL NOT ENLARGE OR EXTEND THE LIMIT. LICENSEE RELEASES ARM FROM ALL OBLIGATIONS, LIABILITY, CLAIMS OR DEMANDS IN EXCESS OF THIS LIMITATION.

17.2 In the event of a suit against ARM based upon a claim that (a) the process used by or on behalf of LICENSEE in manufacturing ARM Compliant Products incorporating, embodying or based upon the Delivered Materials; (b) any ARM Core, or ETM9 Macrocell made by LICENSEE as a result of modification of the Delivered Materials by or on behalf of LICENSEE (provided that such claim would not have occurred but for such modification); or (c) the use of the Delivered Materials, by LICENSEE in combination with other equipment, technology or software not purchased or licensed from ARM (provided that such claim would not have occurred but for such combination, modification or enhancement), has infringed any patent, copyright or trade secret or other Intellectual Property right, LICENSEE agrees to defend and indemnify ARM, at LICENSEE's expense, and to pay costs and damages finally awarded in any such suit, provided that LICENSEE is notified promptly in writing of the suit, ARM has not reached any compromise or settlement of such suit or made any admissions in respect of the same, and at LICENSEE's expense is given control of the suit and all requested reasonable assistance to defend the same. THE FOREGOING STATES THE ENTIRE LIABILITY OF LICENSEE WITH RESPECT TO INTELLECTUAL PROPERTY INFRINGEMENT. IN NO EVENT SHALL LICENSEE BE LIABLE TO ARM FOR INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES RESULTING THEREFROM. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, LICENSEE SHALL NOT BE LIABLE TO ARM FOR ANY AMOUNTS IN EXCESS OF *** BY LICENSEE UNDER THIS AGREEMENT FOR ALL CLAIMS ARISING OUT OF OR IN CONNECTION WITH THE PROVISIONS OF THIS SECTION 17.2. THE EXISTENCE OF MORE THAN ONE CLAIM OR SUIT WILL NOT ENLARGE OR EXTEND THE LIMIT. ARM RELEASES LICENSEE FROM ALL OBLIGATIONS, LIABILITY, CLAIMS OR DEMANDS IN EXCESS OF THIS LIMITATION.

17.3 In the event that there is a final adjudication of infringement, the liability of either party for such infringement shall terminate with respect to all damages regarding the infringing Intellectual Property arising after the date of such final adjudication.

18. DISCLAIMER OF CONSEQUENTIAL DAMAGES

18.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OF USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS SECTION 18.1 SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE OR WILFUL ACT.

19. TERM AND TERMINATION

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- 19.1 This Agreement shall commence on the Effective Date and continue in force unless and until terminated in accordance with the provisions of Section 19.2.
- 19.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other, if the other party:
- (i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or
 - (ii) has committed a material breach which is capable of remedy but which has not been remedied within a period of thirty (30) days following receipt of written notice to do so; or
 - (iii) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or
 - (iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has a lienholder take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

20. EFFECT OF TERMINATION

- 20.1 Upon termination of this Agreement by either ARM or LICENSEE, LICENSEE will immediately discontinue any use and distribution of all ARM Compliant Products, the MultiICE, the Software, the Transfer Materials, , ARM Intellectual Property and ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the Transfer Materials, the MultiICE, ARM Intellectual Property and all copies of the Software in its possession. Within one month thereafter, LICENSEE will furnish to ARM a certificate signed by a duly authorized officer of LICENSEE that to the best of his or her knowledge, information and belief, after due inquiry, LICENSEE has complied with provisions of this Section 20.1. For the avoidance of doubt, any sub-licenses of the Models granted by LICENSEE prior to the termination of this Agreement shall survive such termination. Notwithstanding the foregoing, upon termination of this Agreement ("Termination Date") for any reason other than by reason of (a) LICENSEE's failure to pay fees properly due and owing to ARM or (b) LICENSEE's breach of ARM's Intellectual Property, LICENSEE shall be entitled, for a period of six (6) months from the Termination Date (the "Ramp Down Period") to continue exercising all rights and licenses granted under this Agreement for the purposes of supplying and supporting ARM Compliant Products to customers that existed prior to the Termination Date and to which LICENSEE is contractually bound as of the Termination Date. Upon expiration of the Ramp Down Period, or in those circumstances where LICENSEE is not entitled to a Ramp Down Period as set forth above, LICENSEE will immediately discontinue any use and distribution of all ARM Compliant Products, the MultiICE, the Software, the Transfer Materials, ARM Intellectual Property and ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the Transfer Materials, the MultiICE, ARM Intellectual Property and all copies of the Software in its possession. Within one month thereafter, LICENSEE will furnish to ARM a certificate signed by a duly authorized officer of LICENSEE that to the best of his or her knowledge, information and belief, after due inquiry, LICENSEE has complied with provisions of this Section 20.1.
- 20.2 Upon such termination, the provisions of Sections 1 (Definitions), 6 (Ownership of the Software), 8 (License Fees and Royalties to the extent that any payment has accrued and is outstanding), 15 (Confidentiality), 17 (Infringement), 18 (Disclaimer of Consequential Damages), 20 (Effect

of Termination) and 21 (General) shall survive termination.

21. GENERAL

21.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

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- 21.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Section 21.2. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.
- 21.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other.
- 21.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Section 21.4 shall be extended for a period equal to the duration of the cause.
- 21.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.
- 21.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.
- 21.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.
- 21.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.
- 21.9 The headings to the sections of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.
- 21.10 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.
- 21.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the

Note: The last column of the deliverable lists show the confidentiality status of the deliverable. C - confidential, L - limited confidential and N - non-confidential.

SECTION 1

GENERIC CORE TRANSFER MATERIALS

PART A

ARCHITECTURAL SPECIFICATION

A1	AR010-DA-00001	ARM Architecture Reference Manual: DDI 0100E - Frame Format	N
A2	AR010-DA-03001	ARM Architecture Reference Manual: DDI 0100E - PDF Format	N

PART B

DOCUMENTATION

B1	GD010-DC-01002	CRF (tabular test vector format) syntax	N
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PART C

IN CIRCUIT EMULATION AND DEVELOPMENT HARDWARE

C1	KPI-0019A	MultiICE Interface Unit	N
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SECTION 2

SYNTHESIZABLE ARM946E-S CORE TRANSFER MATERIALS

PART A - TECHNICAL REFERENCE MANUAL

ARM946E-S CORE TECHNICAL REFERENCE MANUAL

A1	AT170-DA-03001	ARM9E-S Technical Reference Manual: DDI-0165 - PDF format	N
A2	AT170-DA-00001	ARM9E-S Technical Reference Manual: DDI-0165 - Frame format	N
A3	AT210-DA-03001	ARM946E-S Technical Reference Manual: DDI-0155 - PDF format	N
A4	AT210-DA-00001	ARM946E-S Technical Reference Manual: DDI-0155 - Frame format	N

PART B - IMPLEMENTATION GUIDE

ARM946E-S CORE IMPLEMENTATION GUIDE

B1	AT170-DC-02008	ARM9E-S Implementation Guide: DII-0003 - PDF format	L
B2	AT210-DC-02008	ARM946E-S Implementation Guide: DII-0005 - PDF format	L

PART C - ARM CORE SYNTHESISABLE SOURCE

ARM946E-S CORE SYNTHESISABLE VERILOG

C1	AT170-MN-22100 AT170-MN-01001	ARM9E-S Synopsys Synthesisable Verilog Command Files for Synthesis of ARM9E-S Verilog from Specifiable Library	C
C2	AT210-MN-22100 AT210-MN-01001 AT210-DE-14001	ARM946E-S Synopsys Synthesisable Verilog Command Files for Synthesis of ARM946E-S Verilog from Specifiable Library Command Files for Synthesis of ARM946E-S Verilog from GTECH Library	C
C3	AT210-DE-15001	ARM946E-S Synthesized Netlist on GTECH Library from Verilog Source	C

PART D - FUNCTIONAL TEST VECTORS

ARM946E-S CORE TEST VECTORS

D1	AT210-VE-01001	ARM946E-S Core Instruction Execution Vectors in CRF Format	L
D2	AT210-VE-05001	ARM946E-S Core Speed Characterization Vectors in CRF Format	L

PART E - TEST CHIP

ARM946E-S TEST CHIP DOCUMENTATION

E1	AT211-DA-03001	ARM946E-S Core Test Chip Implementation Guide DXI-0113 - PDF format	C
E2	AT211-DC-01---	ARM946E-S Core Test Chip Validation Report (--- Partner ref.)	L

PART F - TEST CHIP SYNTHESISABLE SOURCE

ARM946E-S TEST CHIP SYNTHESISABLE VERILOG

F1	AT211-MN-22100 AT211-MN-01001	ARM946E-S Core Test Chip Synopsys Synthesisable Verilog Command Files for Synthesis of ARM946E-S Test Chip Verilog	C
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K2	AT210-VE-07001	ARM946E-S Speed Characterization Vectors Source	C
K3	AT210-VE-09001	ARM946E-S Power Characterization Vectors Source	C

SECTION 2

SYNTHESIZABLE ARM966E-S CORE TRANSFER MATERIALS

PART A -TECHNICAL REFERENCE MANUAL
ARM966E-S CORE PRODUCT SPECIFICATION

A1	AT200-DA-00001	ARM966E-S Core Technical Reference Manual: DDI-0164 - Frame Format	N
A2	AT200-DA-03001	ARM966E-S Core Technical Reference Manual: DDI-0164 - PDF Format	N

PART B -IMPLEMENTATION GUIDE
ARM966E-S CORE DOCUMENTATION

B1	AT200-DC-02008	ARM966E-S Core Implementation Guide: DII-0004 - PDF Format	L
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PART C -ARM CORE SYNTHESIZABLE SOURCE
ARM966E-S CORE SYNTHESISABLE VHDL

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

C1	AT200-MN-21100 AT200-MN-01002 AT200-DE-14002	ARM966E-S Synopsys Synthesisable VHDL Command Files for Synthesis of ARM966E-S VHDL from Specifiable Library Command Files for Synthesis of ARM966E-S VHDL from GTECH Library	C
C2	AT200-DE-12001	ARM966E-S Synthesised Netlist on GTECH Library from VHDL Source	C

PART D -SYNTHESIZABLE FUNCTIONAL TEST VECTORS
ARM966E-S CORE TEST VECTORS

D1	AT200-VE-01001	ARM966E-S Core Instruction Execution Vectors in CRF Format	L
D2	AT200-VE-01002	ARM966E-S Core Instruction Execution Vectors in WGL Format	L
D3	AT200-VE-05001	ARM966E-S Core Speed Characterisation Vectors in CRF Format	L
D4	AT200-VE-05002	ARM966E-S Core Speed Characterisation Vectors in WGL Format	L

PART E- TEST CHIP
ARM966E-S TEST CHIP DOCUMENTATION

E1	AT201-DA-00001	ARM966E-S Test Chip Implementation Guide DXI-0115	C
E2	AT201-DC-01***	ARM966E-S Test Chip Evaluation Report (***) Partner ref.)	L

PART F TEST CHIP SYNTHESIZABLE SOURCE
ARM966E-S TEST CHIP SYNTHESISABLE VHDL

F1	AT200-MN-21100	ARM966E-S Test Chip Synopsys Synthesizable VHDL	C
	AT200-MN-01002	Command Files for Synthesis of ARM966E-S Test Chip VHDL	

PART G- TEST CHIP VALIDATION ENVIRONMENT
ARM966E-S TEST CHIP VALIDATION VHDL

G1	AT201-MN-21101	ARM966E-S Test Chip VHDL Validation Environment	C
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PART H- AVS
ARM966E-S TEST CHIP VALIDATION

H1	AT201-VA-01002	ARM966E-S Test Chip Validation Suite Binaries	C
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PART I- SYNTHESIZABLE TEST CHIP FUNCTIONAL TEST VECTORS
ARM966E-S TEST CHIP TEST VECTORS

I1	AT201-VE-01001	ARM966E-S Test Chip Instruction Execution Vectors in CRF Format	L
I2	AT201-VE-01002	ARM966E-S Test Chip Instruction Execution Vectors in WGL Format	L
I3	AT201-VE-05001	ARM966E-S Test Chip Speed Characterisation Vectors in CRF Format	L
I4	AT201-VE-05002	ARM966E-S Test Chip Speed Characterisation Vectors in WGL Format	L
I5	AT201-VE-05003	ARM966E-S Test Chip Power Characterisation Vectors in CRF Format	L
I6	AT201-VE-05004	ARM966E-S Test Chip Power Characterisation Vectors in WGL Format	L

PART J -VALIDATION HARDWARE
ARM966E-S VALIDATION HARDWARE

J1	KPI-0055A	ARM966E-S Test Chip Validation Kit	C
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PART C

ETM9 TEST AND VALIDATION

C1	TM020-VE-01001	ETM9 Application Vectors in CRF Format	L
C2	TM020-VE-01002	ETM9 Application Vectors in .wgl format	L
C3	TM020-MN-22101	ETM9 Verilog Validation Environment (for ARM9E-S)	C
C4	TM020-VA-04001	ETM9 Validation Suite Binaries - Verilog	C
C5	TM020-SW-01001	Validation programs in source (assembler)	L

PART D

ETM9 SYNTHESIZED VERILOG ON GTECH LIBRARY

D1	TM020-DE-14001	ETM9 Verilog GTECH Synthesis Command Files	C
D2	TM020-DE-15001	ETM9 Synthesized Netlist on GTECH Library from Verilog Source (includes small medium and large configurations)	C

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SCHEDULE 2

DELIVERY SCHEDULE

MATERIALS	DELIVERY DATE
	TBD

GENERIC CORE TRANSFER MATERIALS

Schedule 1 Section 1 Part A	Within thirty (30) days of the Effective Date
Schedule 1 Section 1 Part B	Within thirty (30) days of the Effective Date
Schedule 1 Section 1 Part C	Within thirty (30) days of the Effective Date

ARM946E-S CORE TRANSFER MATERIALS

Schedule 1 Section 2 Part A	Within thirty (30) days of the Effective Date
Schedule 1 Section 2 Part B	Within thirty (30) days of the Effective Date

ETM9 MODELS

Schedule 3 Section 2 Within thirty (30) days of the Effective Date

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SCHEDULE 3

MODELS

SECTION 1
PART A

ARM946E-S DESIGN SIGNOFF MODELS

The design signoff models are fully functional C models interfaced to the specified HDL simulator. The models shall be pin, instruction, cycle and phase accurate and model the full function of the ARM946E-S core. Each model shall be validated by running the validation suite prior to release. Each model shall also be delivered together with a CRF vector tester for the specified HDL simulator environment.

ARM946E-S MODELS

Built In Timing Shell and SDF Timing Shell Models (Bundled)

A1 AT210-MS-22602 Verilog HDL wrapped ARM946E-S Core Model Sun/Solaris N

A2 AT210-MS-22603 Verilog HDL wrapped ARM946E-S Core Model HP-UX N

ARM966E-S CORE

The design signoff models are fully functional C models interfaced to the specified HDL simulator. The models shall be pin, instruction, cycle and phase accurate and model the full function of the ARM966E-S core. Each model shall be validated by running the validation suite prior to release. Each model shall also be delivered together with a CRF vector tester for the specified HDL simulator environment.

ARM966E-S MODELS

Built In Timing Shell and SDF Timing Shell Models (Bundled)

A3 AT200-MS-22602 Verilog HDL wrapped ARM966E-S Core Model Sun/Solaris N

A4 AT200-MS-22603 Verilog HDL wrapped ARM966E-S Core Model HP-UX N

PART B

DESIGN SIMULATION MODEL OPTIONS FOR ARM946E-S CORE AND ARM966E-S CORE

Multiple model options exist for both the ARM946E-S Core and the ARM966E-S Core. Each option consists of a bundle of models for use with a specific simulator. Current supported platforms are Solaris and HP-UX. Current supported timing formats are a simple C language format and Standard Delay Format (SDF). Note that not all simulators fully support SDF timing format. Support for additional platforms or timing formats introduced by ARM will automatically be included for model options under maintenance.

Current Simulator Options:

1. Synopsys VSS
2. Synopsys VCS
3. IKOS Voyager
4. Mentor Graphics ModelSim VHDL
5. Mentor Graphics ModelSim Verilog
6. Cadence Verilog XL
7. Cadence Leapfrog

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9. Cadence NC Verilog

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SECTION 2
PART A

ETM9 DESIGN SIGN OFF MODELS

Built In C and SDF Timing Shell Models (Bundled)

A1	TM020-MS-26602	Synopsys VCS ETM9 (small configuration) Simulation Model	Design	Sun/Solaris	N
A2	TM020-MS-26605	Synopsys VCS ETM9 (small configuration) Simulation Model	Design	HP-UX	N
A3	TM021-MS-26602	Synopsys VCS ETM9 (medium configuration) Simulation Model	Design	Sun/Solaris	N
A4	TM021-MS-26605	Synopsys VCS ETM9 (medium configuration) Simulation Model	Design	HP-UX	N
A5	TM022-MS-26602	Synopsys VCS ETM9 (large configuration) Simulation Model	Design	Sun/Solaris	N
A6	TM022-MS-26605	Synopsys VCS ETM9 (large configuration) Simulation Model	Design	HP-UX	N
A7	BST010-MS-26602	Synopsys VCS Boundary Scan Test Box Simulation Model	Design	Sun/Solaris	N
A8	BST010-MS-26605	Synopsys VCS Boundary Scan Test Box Simulation Model	Design	HP-UX	N

ARM [logo] Exhibit A Registered

PART B

ARM POWERED [logo] Exhibit B Registered

PART C

ARM [logo] Exhibit C Registered

PART D

ARM Registered

MULTIICE Registered

ARM946E-S Unregistered

ETM9 MACROCELL Unregistered

Rules for Trademark Usage

1. ON DIE ENCAPSULATION
 - 1.1 LICENSEE may apply the Trademark identified in PART A OF THIS SCHEDULE to the die encapsulation of each unit of ARM Compliant Product.
 - 1.2 This is intentionally blank.
 - 1.3 Where LICENSEE is not directly distributing ARM Compliant Products (e.g., where ARM Compliant Products are distributed by LICENSEE's authorised third party distributor), the die encapsulation of each unit of ARM Compliant Product must bear a mark that unambiguously identifies LICENSEE as the source of the ARM Compliant Product. If the die encapsulation cannot accommodate LICENSEE's mark due to the reasons set forth in Sections 1.2.1 - 1.2.3 above, then a prominent statement indicating that LICENSEE is the source of the ARM Compliant Product (e.g., "distributed under rights licensed from LICENSEE") must appear on all product packaging, advertising material or promotional, technical or other documentation, including press releases, associated with the ARM Compliant Product. If the third party distributor refuses to identify LICENSEE as the source of the ARM Compliant Product, then the third party distributor may not identify ARM in any way with the ARM Compliant Product it is distributing.
 - 1.4 Except as agreed in writing by ARM, any application by LICENSEE of the Trademark identified in Part A of this Schedule shall be in accordance with the Trademark Use Guide set out in EXHIBIT A of this Schedule.
2. ON PRODUCT PACKAGING, DOCUMENTATION, AND COPY
 - 2.1 ARM Powered Logo (Exhibit B)

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2.1.1 LICENSEE SHALL apply the Trademark identified in PART B OF THIS SCHEDULE to any product packaging, advertising material or promotional, technical or other documentation for, or relating to, any ARM Compliant Product distributed under license from ARM; provided, however, that LICENSEE shall not be obliged to apply the Trademark identified in PART B OF THIS SCHEDULE to product packaging where such product packaging is generic to LICENSEE. For the avoidance of doubt, LICENSEE shall apply the Trademark in PART B OF THIS SCHEDULE to product packaging if such product packaging contains any other company's mark or if such product packaging is product-specific.

2.1.2 Any use or application by LICENSEE of the Trademark identified in PART B OF THIS SCHEDULE shall be in accordance with; (i) the Trademark Use Guide set out IN EXHIBIT B OF THIS SCHEDULE; and (ii) with accepted trademark use standards.

2.2 ARM Logo (Exhibit C); Corporate Signature

2.2.1 Subject to the restriction in Section 2.6 of this Agreement, LICENSEE MAY apply the Trademark identified in PART C OF THIS SCHEDULE to any product packaging, advertising material or promotional, technical or other documentation for, or relating to, any product distributed by LICENSEE under license from ARM which incorporates or takes into use any ARM technology or intellectual property.

2.2.2 Any application of the Trademark identified in PART C OF THIS SCHEDULE by LICENSEE shall be in accordance with; (i) the Trademark Use Guide in EXHIBIT C OF THIS SCHEDULE; and (ii) with accepted trademark use standards.

2.2.3 The Trademark identified in PART C OF THIS SCHEDULE may ONLY be used separately and ONLY to identify ARM (including ARM Holdings plc, its operating company ARM Limited, and the regional subsidiaries, ARM, Inc.; ARM KK; and ARM Korea Limited) and may NOT be incorporated into a body of text.

2.3 Other Trademarks

2.3.1 LICENSEE SHALL apply the appropriate Trademark from those identified in PART D OF THIS SCHEDULE to any product packaging, advertising material or promotional, technical or other documentation relating to the respective product distributed by LICENSEE under license from ARM; provided, however that LICENSEE shall not be obliged to apply the Trademark identified in PART B OF THIS SCHEDULE to product packaging where such product packaging is generic to LICENSEE. For the avoidance of doubt, LICENSEE shall apply the Trademark in PART B OF THIS SCHEDULE to product packaging if such product packaging contains any other company's mark or if such product packaging is product-specific.

2.3.2 Any use of the Trademarks identified in PART D OF THIS SCHEDULE by LICENSEE shall be in accordance with accepted trademark use standards including but not limited to the following;

(i) use of the Trademarks only in conjunction with a generic term for the respective product (e.g. ARM processor, where processor is the generic term); and

(ii) avoiding use of the Trademark, ARM, in the possessive (e.g. ARM's processor).

3. ON WEBSITE

- 3.1 LICENSEE MAY apply the Trademarks identified in PART D OF THIS SCHEDULE to the page(s) of LICENSEE's website relating to any ARM Compliant Product distributed under license from ARM. Any use or application by LICENSEE on its website of the Trademarks identified in PART D OF THIS SCHEDULE shall be in accordance with: (i) accepted trademark use standards; and (ii) the restrictions in Section 2.3.2 above.

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- 3.2 LICENSEE MAY use the Trademark identified in PART C OF THIS SCHEDULE to create a hyperlink between LICENSEE's website and the primary page of ARM's website. Any use or application by LICENSEE on its website of the Trademarks identified in Part D of this Schedule shall be in accordance with; (i) the Trademark Use Guides set out in EXHIBIT C OF THIS SCHEDULE; (ii) accepted trademark use standards; and (iii) the restriction in Section 2.2.3 above.
- 3.3 LICENSEE SHALL apply the Trademark identified in PART B OF THIS SCHEDULE to all LICENSEE web site pages referencing LICENSEE products containing ARM Compliant Products.
4. Where any registered Trademark (as identified in Parts A through D of this Schedule 5) is applied to any product packaging, advertising material or promotional, technical or other documentation relating to any product distributed under license from ARM, then for each prominent use and the first use in any text of any such mark the mark must appear with the symbol "(R)" at the upper right corner of the mark.
5. Where any unregistered Trademark (as identified in Parts A through D of this Schedule 5) is applied to any product packaging, advertising material and promotional, technical or other documentation relating to the any product distributed under license from ARM, then for each prominent use and the first use in any text of any such mark the mark must appear with the symbol "TM" at the upper right corner of the mark.
6. LICENSEE shall include appropriate notices in substantially the following form on any product packaging, advertising material and promotional, technical or other documentation relating to any product distributed under license from ARM;
- For registered Trademarks
- "[Cite Trademark(s)] is [are] the registered trademark(s) of ARM Limited.
- For unregistered Trademarks
- "[Cite Trademark(s)] is [are] the trademark(s) of ARM Limited.
7. ARM will provide its LICENSEE with camera ready and electronic artwork of the Trademarks together with specific Pantone colour references. The Trademarks must not be altered or modified in any way. The Trademarks may be used in black and white or the exact colour reference identified in the relevant Exhibit.
8. In addition to the rules set out above ARM may provide LICENSEE with additional instructions relating to the use of the Trademarks from time to time which LICENSEE shall follow in its use of the Trademarks.

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EXHIBIT A

TRADEMARK USE GUIDE

[ARM LOGO]

The mark must appear exactly as shown in this guide; the elements, proportions and relationships must not change. The mark is available in stat repro form and in .eps for Macintosh or .WMF for PC platforms. These formats ensure the highest possible reproduction quality. However, should you need another format for a specific project, please contact your local ARM office for advice.

When produced in colour, the mark should be printed in Pantone 314 blue. Process colour reproduction may not match Pantone-identified solid colour standards.

When specifying the colour of the mark with process inks, the correct mix is:

CYAN	100
MAGENTA	0
YELLOW	8.5
BLACK	34

- DO NOT ALTER OR DEFORM THE SHAPE OF THE MARK.
- DO NOT REPLACE THE LOGOTYPE WITH A DIFFERENT TYPEFACE OR ATTEMPT TO MIMIC THE LOGOTYPE TYPEFACE.
- DO NOT PLACE COMPETING VISUAL ELEMENTS CLOSE TO THE MARK.
- DO NOT SET TYPE NEAR TO THE MARK THAT COULD BE CONSTRUED AS A CORPORATE SLOGAN OR MOTTO.

The confidential portions of this agreement omitted pursuant to a confidential treatment request filed separately with the Securities and Exchange Commission and are indicated by the symbol "****"

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EXHIBIT B

TRADEMARK USE GUIDE

[ARM LOGOS]

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-----	-----
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-----	-----
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-----	-----
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-----	-----

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- DO NOT SET TYPE NEAR TO THE MARK THAT COULD BE CONSTRUED AS A CORPORATE SLOGAN OR MOTTO.

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EXHIBIT C

TRADEMARK USE GUIDE

[ARM LOGOS]

The mark must appear exactly as shown in this guide; the elements, proportions and relationships must not change. The mark is available in stat repro form and in .eps for Macintosh or .WMF for PC platforms. These formats ensure the highest possible reproduction quality. However, should you need another format for a specific project, please contact your local ARM office for advice.

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-----	-----
MAGENTA	0
-----	-----
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-----	-----
BLACK	34
-----	-----

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- DO NOT REPLACE THE LOGOTYPE WITH A DIFFERENT TYPEFACE OR ATTEMPT TO MIMIC THE LOGOTYPE TYPEFACE.
- DO NOT PLACE COMPETING VISUAL ELEMENTS CLOSE TO THE MARK.
- DO NOT SET TYPE NEAR TO THE MARK THAT COULD BE CONSTRUED AS A CORPORATE SLOGAN OR MOTTO.

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SCHEDULE 6

RUNNING ROYALTY PAYMENT TERMS

Currency: US Dollars

Frequency: During the term of this Agreement, at the end of each Quarter of each year in which Royalties are payable.

When due: Within thirty (30) days after the end of each Quarter, LICENSEE shall deliver the Royalty Report by first class mail or email and pay the Royalties.

What is due: Payment by telegraphic transfer to National Westminster Bank PLC, 56 St. Andrews Street, Cambridge, CB2 3DA, UK.

Account name: ARM Limited
 Account No: ***
 Sort Code: ***
 SWIFT code: ***

Royalty Report: Each Royalty Report shall contain no less information than is set forth in Exhibit 1 to this Schedule 6.

Where sent: To the address for ARM set forth in this Agreement via first class mail.

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EXHIBIT 1

FORM OF ROYALTY REPORT

PART A

CUMULATIVE SALES OF ARM CORES PER DESIGN

ARM DESIGN	VOLUME BREAK POINTS	NUMBER OF ARM CORES PER DESIGN DISTRIBUTED	APPLICABLE RATE
			\$XXX
			\$XXX
			\$XXX

SOFTWARE LICENSED HERETO, WHETHER DUE TO BREACH OF CONTRACT, BREACH OF WARRANTY, OR NEGLIGENCE EVEN IF LICENSEE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

THE MAXIMUM LIABILITY OF LICENSEE SHALL BE LIMITED TO REFUND TO THE END USER THE FEE PAID BY THE END USER FOR THE SOFTWARE.

5. Assignment of the Agreement. This Agreement and any license granted hereunder to the END USER may not be assigned, sub-licensed or otherwise transferred by the END USER to any third party without the prior written consent of LICENSEE. Transfer to a U.S. government department or agency or to a prime or lower tier contractor in connection with a U.S. government contract shall be made only upon the prior written agreement to terms agreed by LICENSEE.

6. Terms and Termination. This Agreement and licenses granted hereunder may be terminated forthwith by LICENSEE by written notice to the END USER in case of (i) breach by the END USER of any provisions of this Agreement, and (ii) non-payment by the END USER in due time of any sum due from the END USER in consideration of delivery and license of this Software.

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Upon termination of this Agreement and of the license granted hereunder, the END USER shall refrain from any further use of the Software, and LICENSEE may request either the destruction of any copy of the Software, in any form, in the possession of the END USER or the return of the same to LICENSEE.

7. Applicability. The limitations and exclusions above may not apply in certain countries or states where they conflict with local law. In cases where such a conflict exists the local law shall prevail and the remaining provisions of the Agreement shall remain in full force and effect.

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SCHEDULE 8

PAYMENT SCHEDULE

All sums due in accordance with the provisions of this Schedule shall be payable forty-five (45) days from receipt by LICENSEE of ARM's invoice therefor.

PART A

TECHNOLOGY LICENSE FEES	PRICE US\$	PAYMENT DUE DATE
ARM946E-S CORE LICENSE FEE	US\$***	US\$*** on Effective Date

MACROCELL MAINTENANCE FEE	PRICE	PAYMENT DUE DATE
ETM9 MACROCELL		
Maintenance Fee Year 1	US\$***	On the Effective Date
Maintenance Fee Year 2	US\$***	On the first anniversary of the Effective Date.
Maintenance for subsequent years to be negotiated in good faith between the parties	TBD	On the second and each subsequent anniversary of the Effective Date subject to request by LICENSEE.

PART D

SOFTWARE MAINTENANCE FEE	PRICE	PAYMENT DUE DATE
Fee for Year 1	US\$***	On the Effective Date
Fee for Year 2	US\$***	On the first anniversary of the Effective Date
Fee for Year 3	US\$***	On the second anniversary of the Effective Date
Software Maintenance for subsequent years to be negotiated in good faith between the parties	TBD	On the third and each subsequent anniversary of the Effective Date subject to request by LICENSEE.

PART E

SUPPORT FEES	PRICE	PAYMENT DUE DATE
ARM CORE		
In respect of twenty (20) person days' support per annum	US\$***	On the Effective Date

In respect of twenty (20) person days' support per annum US\$*** On the first anniversary of the Effective Date

Support for subsequent years to be negotiated in good faith between the parties TBD On the second and each subsequent anniversary of the Effective Date subject to request by LICENSEE.

SUPPORT FEES PRICE PAYMENT DUE DATE

ETM9 MACROCELL

In respect of four (4) person days' support per annum US\$*** On the Effective Date

In respect of four (4) person days' support per annum US\$*** On the first anniversary of the Effective Date

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Support for subsequent years to be negotiated in good faith between the parties TBD On the second and each subsequent anniversary of the Effective Date subject to request by LICENSEE.

PART F

MODEL OPTION MAINTENANCE FEE PRICE US\$ PAYMENT DUE DATE

Model Option Maintenance Fee for first (1st) year US\$*** Upon delivery of the Option Model

Model Option Maintenance Fee for second (2nd) year US\$*** On first anniversary of delivery of the Option Model

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SCHEDULE 9

PROMOTIONAL OBLIGATIONS

1. ****
2. ****
3. ****
4. ARM and LICENSEE will each appoint and notify the other party of a marketing contact and a technical contact within each organization.
5. ARM and LICENSEE will use reasonable efforts to generate sales materials targeted at application areas mutually agreed by the parties.
6. Nothing in this Schedule 9 or this Agreement shall prevent or delay LICENSEE from making public announcements concerning any products, design wins or events that do not mention the use of ARM technology; provided that LICENSEE meets its obligations set forth in this Schedule 9.

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