

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 September 30, 2000.

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

0-25699  
(Commission File Number)

PLX TECHNOLOGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

94-3008334  
(I.R.S. Employer  
Identification No.)

390 Potrero Avenue  
Sunnyvale, CA  
(Address of Principal Executive Offices)

94086  
(Zip Code)

(408) 774-9060  
(Registrant's Telephone Number, Including Area Code)

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

As of October 31, 2000 there were 23,333,389 shares of common stock, par value \$0.001 per share, outstanding.

PLX TECHNOLOGY, INC.  
INDEX TO  
REPORT ON FORM 10-Q  
FOR QUARTER ENDED SEPTEMBER 30, 2000

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements (Unaudited):

Condensed Consolidated Balance Sheets at September 30, 2000 and  
December 31, 1999

Page

	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2000 and 1999	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2000 and 1999	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	22
<b>PART II.</b>	<b>OTHER INFORMATION</b>	
Item 6.	Exhibits and Reports on Form 8-K	23
<b>SIGNATURE</b>		24

---

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**PLX TECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	September 30, 2000	December 31, 1999 (1)
	(unaudited)	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 20,526	\$ 8,636
Short-term investments	19,429	20,075
Accounts receivable, net	9,043	5,439
Inventories	2,379	2,504
Deferred tax assets	1,379	1,379
Other current assets	1,590	447
	<u>54,346</u>	<u>38,480</u>
Total current assets	54,346	38,480
Property and equipment, net	3,438	1,537
Goodwill	12,135	—
Other intangible assets	3,181	—
Long term investments	6,895	11,198
Other assets	672	840
	<u>80,667</u>	<u>52,055</u>
Total assets	\$ 80,667	\$ 52,055
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 4,103	\$ 1,825
Accrued compensation and benefits	1,819	1,052
Accrued commissions	720	320
Deferred revenues	1,038	1,001
Other accrued expenses	983	608
Income tax payable	474	847
	<u>9,137</u>	<u>5,653</u>
Total current liabilities	9,137	5,653
<b>Stockholders' Equity:</b>		
Common stock, par value	23	22
Additional paid in capital	79,779	36,828
Deferred compensation	(10,641)	(192)
Notes receivable for employee stock purchases	(50)	—
Accumulated other comprehensive loss	(14)	(66)
Retained earnings	2,433	9,810
	<u>71,530</u>	<u>46,402</u>
Total stockholders' equity	71,530	46,402
Total liabilities and stockholders' equity	\$ 80,667	\$ 52,055

(1) The balance sheet at December 31, 1999 has been derived from the audited financial statements as of that date.

See notes to condensed consolidated financial statements.

3

**PLX TECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In thousands, except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net revenues	\$ 18,409	\$ 10,597	\$ 49,041	\$ 28,918
Cost of revenues	5,246	3,006	14,218	9,480
Gross margin	13,163	7,591	34,823	19,438
Operating expenses:				
Research and development	4,643	2,044	11,272	5,556
Selling, general and administrative	4,437	2,782	11,538	7,470
Amortization of goodwill and purchased intangible assets	1,044	—	1,493	—
In-process research and development	—	—	14,342	—
Total operating expenses	10,124	4,826	38,645	13,026
Income (loss) from operations	3,039	2,765	(3,822)	6,412
Interest income and other, net	567	508	1,604	970
Income (loss) before income taxes	3,606	3,273	(2,218)	7,382
Provision for income taxes	1,626	1,145	5,159	2,587
Net income (loss)	\$ 1,980	\$ 2,128	\$ (7,377)	\$ 4,795
Basic net income (loss) per share	\$ 0.09	\$ 0.10	\$ (0.33)	\$ 0.32
Shares used to compute basic share amounts	23,162	21,606	22,544	15,212
Diluted net income (loss) per share	\$ 0.08	\$ 0.09	\$ (0.33)	\$ 0.22
Shares used to compute diluted per share amounts	24,743	23,111	22,544	21,489

See notes to condensed consolidated financial statements.

4

**PLX TECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**

	Nine Months Ended September 30,	
	2000	1999
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ (7,377)	\$ 4,795
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	969	669
Compensation expense recognized	2,285	144
Amortization of unearned compensation	387	70
Amortization of goodwill and other purchased intangible assets	1,493	—

In-process research and development	14,342	—
Income taxes	(198)	—
Changes in operating assets and liabilities:		
Accounts receivable	(3,604)	(3,125)
Inventories	125	(323)
Other current assets	(2,584)	(51)
Other assets	(1,011)	(55)
Accounts payable	1914	670
Accrued compensation and benefits	325	340
Accrued commissions	400	121
Deferred revenues	37	468
Other accrued expenses	124	(43)
Income tax payable	(175)	(156)
	<u>          </u>	<u>          </u>
Net cash provided by operating activities	7,452	3,524
	<u>          </u>	<u>          </u>
<b>Investing activities</b>		
Purchases of short term investments	(18,377)	(14,897)
Sales of short term investments	6,745	—
Maturities of short term investments	23,500	—
Purchases of long term investments	(6,867)	(7,245)
Purchases of property and equipment	(1,823)	(735)
Cash acquired in Sebring acquisition	33	—
	<u>          </u>	<u>          </u>
Net cash provided by (used in) investing activities	3,211	(22,877)
	<u>          </u>	<u>          </u>
<b>Financing activities</b>		
Proceeds from sale of common stock	1,189	31,007
Repayment of stockholder notes receivable	38	95
	<u>          </u>	<u>          </u>
Net cash provided by financing activities	1,227	31,102
	<u>          </u>	<u>          </u>
Increase in cash and cash equivalents	11,890	11,749
Cash and cash equivalents at beginning of the period	8,636	5,638
	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of the period	\$ 20,526	\$ 17,387
	<u>          </u>	<u>          </u>

*See notes to condensed consolidated financial statements.*

**PLX TECHNOLOGY, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of PLX Technology, Inc. and its wholly-owned subsidiary (“PLX” or the “Company”) as of September 30, 2000 and for the three-month and nine-month periods ended September 30, 2000 and 1999 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the condensed consolidated financial statements include all adjustments (consisting only of normal recurring accruals) that management considers necessary for a fair presentation of our financial position, operating results and cash flows for the interim periods presented. Operating results and cash flows for interim periods are not necessarily indicative of results for the entire year.

This financial data should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and such differences may be material to the financial statements.

*Accumulated Other Comprehensive Income (Loss)*

The Company has adopted Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (FAS 130). FAS 130 requires that all items required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with

the same prominence as other financial statements. The Company's comprehensive net income (loss) for the three and nine months ended September 30, 2000 and September 30, 1999 was as follows:

The following are the components of comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(in thousands)		(in thousands)	
Net income (loss)	\$ 1,980	\$ 2,128	\$ (7,377)	\$ 4,795
Accumulated other comprehensive income (loss)	30	(21)	52	(21)
Comprehensive income (loss)	\$ 2,010	\$ 2,107	\$ (7,325)	\$ 4,774

Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets is comprised entirely of unrealized losses on investments.

#### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities" (SFAS 133), which provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. SFAS 133, as amended, is required to be adopted by the Company effective January 1, 2001, and is not anticipated to have an impact on the Company's results of operations or financial position when adopted, as the Company holds no derivative financial instruments and does not currently engage in hedging activities.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 "SAB 101", "Revenue Recognition", which provides guidance on the recognition, presentation and disclosure in the financial statements files with the SEC. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. Management believes that the Company's revenue recognition policy is in compliance with the provisions of SAB 101 and the impact of SAB 101 will have no material affect on its financial position or results of operations.

## 2. Investments in Debt and Equity Securities

The Company invests its excess cash in high quality, short-term and long-term debt and equity instruments. The following is a summary of the Company's investments by major security type at amortized cost which approximates fair value:

	September 30, 2000	December 31, 1999
	(in thousands)	
Operating cash	\$ 905	\$ 274
Money market	1,921	1,070
Certificates of deposit	1,000	1,500
Commercial paper	1,900	14,759
Municipal bonds	37,140	18,814
Corporate debt securities	1,986	1,500
U.S government and agency securities	1,998	1,992
	\$ 46,850	\$ 39,909
Amounts included in cash and cash equivalents	\$ 20,526	\$ 8,636
Amounts included in short-term investments	19,429	20,075
Amounts included in long-term investments	6,895	11,198
	\$ 46,850	\$ 39,909

The Company classifies all securities as available for sale.

## 3. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories were as follows:

	September 30, 2000	December 31, 1999
	(in thousands)	
Work in Process	\$ 481	\$ 193
Finished goods	1,898	2,311

Total			2,379	\$	2,504
-------	--	--	-------	----	-------

#### 4. Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(in thousands)		(in thousands)	
Net income (loss) (numerator)	\$ 1,980	\$ 2,128	\$ (7,377)	\$ 4,795
Shares used in computing basic Net income (loss) per share				
Weighted average number of common shares, net of unvested restricted stock	23,162	21,606	22,544	15,212
Basic net income (loss) per share	\$ 0.09	\$ 0.10	\$ (0.33)	\$ 0.32
Outstanding weighted average number of common shares	23,162	21,606	22,544	15,212
Effect of dilutive securities:				
Employee stock options	1,443	963	—	964
Unvested restricted stock	138	542	—	583
Redeemable convertible preferred stock	—	—	—	4,730
Dilutive potential common shares	1,581	1,505	—	6,277
Denominator for diluted net income (loss) per share—adjusted Weighted-average shares and assumed conversions	24,743	23,111	22,544	21,489
Diluted net income (loss) per share	\$ 0.08	\$ 0.09	\$ (0.33)	\$ 0.22

#### 5. Segments of an Enterprise and Related Information

The Company has one operating segment, the sale of semiconductor devices. The President has been identified as the Chief Operating Decision Maker (CODM) because he has final authority over resource allocation decisions and performance assessment. The CODM does not receive discrete financial information about individual components of the Company's business.

Revenues by geographic region were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(in thousands)		(in thousands)	
Revenues:				
North America	\$ 10,928	\$ 6,710	\$ 30,212	\$ 19,337
Europe	4,769	2,716	12,131	6,587
Asia	2,712	1,171	6,698	2,994
Total	\$ 18,409	\$ 10,597	\$ 49,041	\$ 28,918

#### 6. Business Combination

In May 2000, the Company purchased Sebring Systems Inc., a development stage company, that is developing the SebringRing™, a silicon switch fabric interconnect solution, for an aggregate purchase price, including assumed liabilities of \$32.3 million. The transaction was accounted for using purchase accounting. The financial results for the nine months ended September 30, 2000 reflect the acquisition from the date the transaction was closed.

The estimated purchase price of the Sebring Systems acquisition is summarized below:

(in thousands)	
Prior consideration	\$ 681

Stock consideration	24,196
Converted options	4,672
Assumed liabilities	2,242
Acquisition costs	525
Total consideration	\$ 32,316

The Company issued an aggregate of 960,931 shares of its common stock valued at \$24.2 million. The stock options were valued using the Black-Scholes valuation model. Additionally, the Company incurred \$0.5 million in professional fees, including legal, valuation and accounting fees related to the acquisition, which were capitalized as part of the purchase price of the transaction.

The allocation of the Company's purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed is summarized below.

The allocation was based on an independent appraisal and estimate of fair value.

<b>(in thousands)</b>	
Net tangible assets	\$ 1,165
In-process technology	14,342
Goodwill and other intangible assets:	
Goodwill	13,339
Acquired employees	983
Tradenname	355
Patents	2,132
	16,809
Net assets acquired	\$ 32,316

The net tangible assets acquired were comprised primarily of property and equipment and accrued liabilities. The acquired in-process technology was written-off in the second quarter of fiscal 2000. The estimated weighted average useful life of the intangible assets for patents, tradenames, and the residual goodwill, created as a result of the acquisition of Sebring Systems is approximately four years.

Additionally, PLX recorded \$12.3 million in deferred compensation on options granted to employees below fair market value related to the acquisition of Sebring. Deferred compensation is being amortized over the vesting period of three years.

The \$14.3 million allocation of the purchase price to the acquired in-process technology was determined by identifying research projects in areas for which technological feasibility had not been established and no alternative future uses existed. PLX acquired technology consisting of silicon switch fabric interconnect solutions. The value was determined by estimating the expected cash flows from the project once commercially viable, discounting the net cash flows to their present value, and then applying a percentage of completion to the calculated value as defined below.

*Net Cash Flows.* The net cash flows from the identified project was based on estimates of revenues, cost of sales, research and development costs, selling, general and administrative costs, royalty costs and income taxes from the project. These estimates were based on the assumptions mentioned below. The research and development costs excluded costs to bring the acquired in-process project to technological feasibility.

The estimated revenues were based on management projections of the acquired in-process project. The business projections were compared with and found to be in line with industry analysts' forecasts of growth in substantially all of the relevant markets. Estimated total revenues from the acquired in-process technology product are expected to peak in fiscal 2003 and decline in fiscal 2004 as other new products are expected to become available. These projections were based on estimates of market size and growth, expected trends in technology, and the nature and expected timing of new product introductions by the Company and its competitors.

*Discount Rate.* Discounting the net cash flows back to their present value was based on the cost of capital for well managed venture capital funds which typically have similar risks and returns on investments. The cost of capital used in discounting the net cash flows from acquired in-process technology was 25%.

*Percentage of Completion.* The percentage of completion was determined using costs incurred by Sebring prior to the acquisition date compared to the remaining research and development to be completed to bring the project to technological feasibility. The Company estimated, as of the acquisition date, the project was 85% complete.

The Company expects to complete the project within six months from the acquisition date. However, development of this project remains a significant risk to the Company due to the remaining effort to achieve technical feasibility, integration of Sebring and the Company, employee retention, rapidly changing customer markets and significant competitive threats from numerous companies. Failure to bring these products to market in a timely manner could adversely impact sales and profitability of the Company in the future. Additionally, the value of the intangible assets acquired may become impaired.

#### **Unaudited Pro Forma Financial Results**

The unaudited pro forma financial information combines the historical statements of operations of PLX Technology, Inc. and Sebring Systems, Inc. for the nine-months ended September 30, 2000 and 1999 and give effect to the transactions, including the amortization of goodwill and other intangible assets and the

recognition of deferred compensation, as if they occurred at the beginning of each period presented. The amount of the aggregate purchase price allocated to purchased in-process research and development has been excluded from the pro forma information, as it is a non-recurring item.

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transactions had been consummated at the dates indicated, nor is it necessarily indicative of future operating results of the combined companies and should not be construed as representative of these amounts for any future periods.

	Nine Months Ended September 30,	
	2000	1999
	(unaudited) (in thousands, except per share amounts)	
Net revenues	\$ 49,041	\$ 28,918
Net loss	\$ 1,570	\$ (4,002)
Net loss per share—basic and diluted	\$ 0.07	\$ (0.26)
Number of shares used in per share calculations—basic	22,544	15,212
Number of shares used in per share calculations—diluted	24,142	15,212

## 7. Subsequent Events

On October 25, 2000, the Company signed a promissory note to borrow \$28.5 million in connection with its purchase of a facility. The loan is collateralized by cash, short-term and long-term investments of approximately \$34 million. The loan agreement includes covenants regarding profitability and bears interest at the LIBOR rate plus 0.45%. The loan requires monthly interest payments with the outstanding principal balance due and payable on November 6, 2005.

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

Except for historical information, this Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, hopes, intentions, beliefs or strategies regarding the future. Such forward-looking statements include, but are not limited to, our anticipated expense levels for research and development, selling, general and administrative operations, and deferred compensation; the amount of and specific uses of anticipated capital expenditures; expectations regarding inventory balances, and adequacy of cash resources under the sub-headings "Results of Operations" and "Liquidity and Capital Resources." Actual results could differ materially from those projected in any forward-looking statements for the reasons detailed below under the sub-heading "Factors That May Affect Future Operating Results" and in other sections of this Report on Form 10-Q. All forward-looking statements included in this Form 10-Q are based on information available to us on the date of this Report on Form 10-Q, and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. See "Factors That May Affect Future Operating Results" below, as well as such other risks and uncertainties as are detailed in our SEC reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

### Overview

PLX established in May 1986, develops and supplies semiconductor devices and software that accelerate and manage the transfer of data in networking and telecommunications, enterprise storage, imaging and industrial equipment. This equipment is typically controlled by internal computers, commonly referred to as embedded systems. We offer a complete solution consisting of three related types of products: semiconductor devices, software development kits and hardware design kits. Our semiconductor devices simplify the development of data transfer circuits in high-performance embedded systems and are compatible with microprocessors such as IBM's PowerPC, Motorola's PowerPC, Intel's i960, IDT's MIPs and Hitachi's SH. Our software development kits and hardware design kits promote sales of our semiconductor devices by lowering customers' development costs and by accelerating their ability to bring new products to market.

Demand for networking, telecommunications and other equipment that transmits, stores and processes information rapidly has dramatically increased due to:

- growth of the Internet,
- deployment of high-speed networking, and
- proliferation of multimedia.

Suppliers of this equipment are changing the way they design their products to reduce product development time and to use their scarce engineering resources more efficiently. Until recently, these suppliers typically developed their own system components and the connections between the components. Now, however, they are increasingly building their equipment based on industry standard connection methods, and they are purchasing components supplied by other companies that comply with these standards. By doing so, they reduce the time and resources required for product development. Consequently, there is a growing demand for standards-based components that connect systems together, such as our semiconductor devices. The majority of our products are based on Peripheral Component Interconnect, or PCI, a standard that is widely used in our markets.

Our objective is to expand our advantages in data transfer technology by:

- focusing on high-growth markets,



- delivering comprehensive solutions, including semiconductor devices,
- software development kits and hardware design kits,
- extending our technology advantages by incorporating new functions and technologies,

- driving industry standards, and
- strengthening and expanding our industry relationships.

We utilize a “fabless” semiconductor business model whereby we purchase semiconductor devices from independent manufacturing foundries. This approach allows us to focus on defining, developing, and marketing our products and eliminates the need for us to invest large amounts of capital in manufacturing facilities and work-in-process inventory.

Our gross margins have fluctuated in the past and are expected to fluctuate in the future due to changes in product mix, the position of our products in their respective life cycles, and specific product manufacturing costs.

## Results of Operations

The following table summarizes historical results of operations as a percentage of net revenues for the periods shown.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	28.5	28.4	29.0	32.8
Gross margin	71.5	71.6	71.0	67.2
Operating expenses:				
Research and development	25.2	19.3	23.0	19.2
Selling, general and administrative	24.1	26.2	23.5	25.8
Amortization of goodwill and purchased intangible assets	5.7	—	3.0	—
In-process research and development	—	—	29.3	—
Total operating expenses	55.0	45.5	78.8	45.0
Income (loss) from operations	16.5	26.1	(7.8)	22.2
Interest income and other, net	3.1	4.8	3.3	3.3
Income (loss) before income taxes	19.6	30.9	(4.5)	25.5
Provision for income taxes	8.8	10.8	10.5	8.9
Net income (loss)	10.8%	20.1%	(15.0)%	16.6%

### Net Revenues

Net revenues for the three months ended September 30, 2000 were \$18.4 million, an increase of 74% from \$10.6 million for the three months ended September 30, 1999. For the nine months ended September 30, 2000, net revenues were \$49.0 million, a 70% increase over the \$28.9 million recorded in the nine months ended September 30, 1999. The increase was primarily due to higher unit shipments resulting from increased market acceptance of our products. For the nine months ended September 30, 2000, net revenues derived from customers in the United States were 62%, with 26% of net revenues from sales to Unique Technologies, our U.S. distributor. For that period, Cisco Systems accounted for 16% of net revenues through purchases from our distributors as well as direct sales. No other individual customer represented greater than 10% of net revenues.

### Gross Profit

Gross profit represents net revenues less the cost of revenues. Cost of revenues includes the cost of purchasing packaged semiconductor devices from our independent foundries, our operating costs associated with the procurement, storage, and shipment of products, as well as royalty expenses paid on some of our products. Gross profit for the three months ended September 30, 2000 was \$13.2 million, an increase of 73% from \$7.6 million for the three months ended September 30, 1999. For the nine months ended September 30, 2000, gross profit was \$34.8 million, an increase of 79% from \$19.4 million for the nine months ended September 30, 1999. The improvement in the Company’s gross profit is primarily due to higher unit shipments.

Research and development expenses consist primarily of salaries and related costs of employees engaged in research, design, and development activities. In addition, expenses for outside engineering consultants and non-recurring engineering at our independent foundries are included in research and development expenses. Research and development expenses for the three months ended September 30, 2000 were \$4.6 million, an increase of 127% from \$2.0 million for the three months ended September 30, 1999. For the nine months ended September 30, 2000, research and development expenses were \$11.3 million, an increase of 103% from \$5.6 million for the nine months ended September 30, 1999. The increases were primarily due to amortization of deferred compensation associated with the acquisition of Sebring Systems, a one-time compensation charge related to a severance agreement, increased headcount and higher costs to support the Company's continuing efforts to develop new products. Research and development expenses as a percentage of net revenues were 25.2% for the three months ended September 30, 2000, as compared to 19.3% for the three months ended September 30, 1999. For the nine months ended September 30, 2000, research and development expenses were 23.0% as a percentage of net revenues compared to 19.2% for the nine months ended September 30, 1999. This percentage increase was primarily due to compensation charges and recognized deferred compensation associated with the acquisition of Sebring Systems. We expect that research and development expenses in absolute dollars will continue to increase in future periods.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist primarily of employee related expenses, professional fees, trade show and other promotional expenses, and sales commissions to manufacturers' representatives. Selling, general and administrative expenses for the three months ended September 30, 2000 were \$4.4 million, an increase of 59% from \$2.8 million for the three months ended September 30, 1999. For the nine months ended September 30, 2000, selling, general and administrative expenses were \$11.5 million, an increase of 54% from \$7.5 million for the nine months ended September 30, 1999. Selling, general and administrative expenses as a percentage of net revenues were 24.1% for the three months ended September 30, 2000, as compared to 26.2% for the three months ended September 30, 1999. For the nine months ended September 30, 2000, selling, general and administrative expenses as a percentage of net revenues decreased to 23.5% compared to 25.8% for the nine months ended September 30, 1999. This percentage decrease was primarily due to higher net revenues. The first nine months of 1999 amounts include approximately \$144,000 for compensation expense recognized related to stock options granted to non-employees. We expect that selling, general and administrative expenses in absolute dollars will continue to increase in future periods.

#### *Amortization of goodwill and purchased intangible assets*

Amortization of goodwill and purchased intangible assets increased by \$1.0 million and \$1.5 million for the three and nine months ended September 30, 2000, respectively. Amortization of goodwill and purchased intangible assets includes the amortization of goodwill and other purchased intangible assets relating to the acquisition of Sebring Systems.

#### *In-process research and development*

The amounts expensed to in-process research and development in the nine months ended September 30, 2000 is related to the acquisition of Sebring Systems.

#### *Deferred Compensation*

We recorded deferred compensation in connection with the grant of stock options and restricted stock to our employees during 1997 and 1998. We also recorded deferred compensation related to stock options granted below fair market value to employees in relation to the acquisition of Sebring Systems in May 2000. Additionally, we recorded deferred compensation in connection with the grant of stock options to our employees in September 2000. For the three months ended September 30, 2000 and 1999, we recorded amortization of deferred compensation of \$936,000 and 24,000, respectively. For the nine months ended September 30, 2000 and 1999, we recorded amortization of deferred compensation of \$1,296,000 and \$70,000, respectively. The amount of deferred compensation is amortized ratably over the vesting period of the applicable stock grants. We expect to record expenses related to deferred compensation of approximately \$1.0 million per quarter through September 30, 2003.

---

#### *Interest Income and Other, Net*

Interest income and other income, net reflects interest earned on average cash, cash equivalents, short-term and long-term investment balances. Interest income and other, net increased to \$567,000 for the three months ended September 30, 2000 from \$508,000 for the three months ended September 30, 1999. For the nine months ended September 30, 2000, interest income increased to \$1,604,000 from \$970,000 in the nine months ended September 30, 1999. The increase was primarily due to interest earned on higher levels of short-term investments and cash balances.

#### *Provision for Income Taxes*

We recorded a provision for income taxes of \$5.2 million at an effective tax rate of (232.6)% and \$2.6 million at an effective tax rate of 35% for the nine months ended September 30, 2000 and 1999, respectively. Our 2000 effective tax rate differs from the expected benefit by applying the applicable statutory rate to the loss from operations primarily due to certain non-deductible acquisition related charges partially offset by the benefit of research and development tax credits. Our 1999 effective tax rate differs from the applicable statutory rate primarily due to the benefit of research and development tax credits.

#### *Liquidity and Capital Resources*

At September 30, 2000, we had \$45.2 million in working capital and \$20.5 million in cash and cash equivalents. Our operating activities generated cash of \$7.5 million for the nine months ended September 30, 2000, and provided cash of \$3.5 million for the nine months ended September 30, 1999. The \$7.5 million cash provided by operations was primarily attributable to non-cash charges of \$18.2 million associated with the acquisition of Sebring Systems, partially offset by a net loss of \$7.4 million, a decrease of \$3.6 million in accounts receivable and a decrease of \$2.6 million in other current assets.

Our investing activities provided cash of \$3.2 million and used cash of \$22.9 million for the nine months ended September 30, 2000 and 1999, respectively. The \$3.2 million in cash provided by investing activities was primarily attributable to the sales and maturities of short term investments of \$30.2 million, partially offset by purchases of short term and long term investments of \$25.2 million. Cash provided by financing activities was \$1.2 million and \$31.1 million for the nine months ended September 30, 2000 and 1999, respectively. Cash provided by financing activities for the nine months ended September 30, 2000 is primarily related to exercise of employee stock options.

On October 25, 2000, the Company signed a promissory note to borrow \$28.5 million in connection with its purchase of a facility. The loan is collateralized by cash, short-term and long-term investments of approximately \$34 million. The loan agreement includes covenants regarding profitability and bears interest at the LIBOR rate plus 0.45%. The loan requires monthly interest payments with the outstanding principal balance due and payable on November 6, 2005.

On April 9, 1999 we completed our initial public offering of common stock which generated approximately \$31 million in net proceeds. We intend to use the net proceeds primarily for general corporate purposes, including working capital. Pending use of the net proceeds for such purposes, we invested the funds in interest-bearing, investment-grade securities. We believe that the proceeds from the public offering together with the cash generated from our operations will be sufficient to meet our capital requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including the inventory levels we maintain, the level of investment we make in new technologies and improvements to existing technologies and the levels of monthly expenses required to launch new products.

---

## **Factors That May Affect Future Operating Results**

This quarterly report on Form 10-Q contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking statements as a result of certain factors, including those set forth below.

### **Results may fluctuate significantly due to factors which are not within our control**

Our quarterly operating results have fluctuated significantly in the past and are expected to fluctuate significantly in the future based on a number of factors, many of which are not in our control. Our operating expenses, which include product development costs and selling, general and administrative expenses, are relatively fixed in the short-term. If our revenues are lower than we expect because we sell fewer semiconductor devices, delay the release of new products or the announcement of new features, or for other reasons, we may not be able to quickly reduce our spending in response.

Other circumstances that can affect our operating results include:

- our ability to develop, introduce and market new products and technologies on a timely basis,
- the timing of significant orders, order cancellations and reschedulings,
- changes in our pricing policies or those of our competitors or suppliers, including decreases in unit average selling prices of our products,
- introduction of products and technologies by our competitors,
- shifts in our product mix toward lower margin products,
- the availability of production capacity at the fabrication facilities that manufacture our products, and
- the availability and cost of materials to our suppliers.

These factors are difficult to forecast, and these or other factors could adversely affect our business. Any shortfall in our revenues would have a direct impact on our business. In addition, fluctuations in our quarterly results could adversely affect the market price of our common stock in a manner unrelated to our long-term operating performance.

### **We may fail to adequately integrate Sebring or future acquired businesses into our business**

In May 2000, we acquired Sebring Systems, a development stage company that is developing the SebringRing™, a silicon switch fabric interconnect solution, in a transaction accounted for as a purchase transaction. There can be no assurance that this acquisition will be effectively assimilated into our business. The integration of Sebring Systems will place a burden on our management and infrastructure. Such integrations are subject to risks commonly encountered in making such acquisitions, including, among others, loss of key personnel of the acquired company, loss of key customers and business relationships of the acquired company, the difficulty associated with assimilating and integrating the personnel, operations and technologies of the acquired company, the potential disruption of our ongoing business, the maintenance of uniform standards, controls, procedures, employees and clients. There can be no assurance that we will be successful in overcoming these risks or any other problems encountered in connections with our acquisition of Sebring Systems.

From time to time, in the ordinary course of business, we may evaluate potential acquisitions of other businesses, products or technologies. Future acquisitions may result in the issuance of dilutive equity securities, the incurrence of debt or contingent liabilities. There can be no assurance that any strategic acquisition of investment will succeed. Any future acquisition or investment could have a material adverse effect on our business, financial condition and results of operations.

Recently, the Financial Accounting Standards Board ("FASB") voted to eliminate pooling of interests accounting for acquisitions and the ability to write-off in-process research and development has been limited by recent pronouncements. These changes could increase the portion of the purchase price for any future acquisitions that must be charged to our cost of revenues and operating expenses in the periods following any such acquisitions. As a consequence, our results of operations in periods following any such acquisitions could be materially adversely affected. Although these changes would not directly affect the purchase price for any of these acquisitions. These changes may make it more difficult for us to acquire other companies, product lines or technologies.

---

## **Sales cycle can result in uncertainty and delays with regard to our expected revenues**

Our customers typically perform numerous tests and extensively evaluate our products before incorporating them into their systems. The time required for test, evaluation and design of our products into the customer's equipment can range from six to twelve months or more. It can take an additional six to twelve

months or more before a customer commences volume shipments of equipment that incorporates our products. Because of this lengthy sales cycle, we may experience a delay between the time when we increase expenses for research and development and sales and marketing efforts and the time when we generate higher revenues, if any, from these expenditures.

In addition, the delays inherent in our lengthy sales cycle raise additional risks of customer decisions to cancel or change product plans. When we achieve a design win, there can be no assurance that the customer will ultimately ship products incorporating our products. Our business could be materially adversely affected if a significant customer curtails, reduces or delays orders during our sales cycle or chooses not to release products incorporating our products.

### **Rapid technological change could make our products obsolete**

We operate in an industry that is subject to evolving industry standards, rapid technological changes, rapid changes in customer demands and the rapid introduction of new, higher performance products with shorter product life cycles. As a result, we expect to continue to make significant investments in research and development. Although, historically, we have had adequate funds from operations to devote to research and development, there can be no assurance that such funds will be available in the future or, if available, that they will be adequate. Also, we must manage product transitions successfully, since announcements or introductions of new products by us or our competitors could adversely affect sales of our existing products because these existing products can become obsolete or unmarketable for specific purposes. There can be no assurance that we will be able to develop and introduce new products or enhancements to our existing products on a timely basis or in a manner which satisfies customer needs or achieves widespread market acceptance. Any significant delay in releasing new products could adversely affect our reputation, give a competitor a first-to-market advantage or allow a competitor to achieve greater market share. The failure to adjust to rapid technological change could harm our business, financial condition, results of operations and cash flows.

### **Failure of our products to gain market acceptance would adversely affect our financial condition**

We believe that our growth prospects depend upon our ability to gain customer acceptance of our products and technology. Market acceptance of products depends upon numerous factors, including compatibility with existing manufacturing processes and products, perceived advantages over competing products and the level of customer service available to support such products. Moreover, manufacturers often rely on a limited number of equipment vendors to meet their manufacturing equipment needs. As a result, market acceptance of our products may be adversely affected to the extent potential customers utilize a competitor's manufacturing equipment. There can be no assurance that growth in sales of new products will continue or that we will be successful in obtaining broad market acceptance of our products and technology.

We expect to spend a significant amount of time and resources to develop new products and refine existing products. In light of the long product development cycles inherent in our industry, these expenditures will be made well in advance of the prospect of deriving revenue from the sale of any new products. Our ability to commercially introduce and successfully market any new products is subject to a wide variety of challenges during this development cycle, including start-up bugs, design defects and other matters that could delay introduction of these products to the marketplace. In addition, since our customers are not obligated by long-term contracts to purchase our products, our anticipated product orders may not materialize, or orders that do materialize may be cancelled. As a result, if we do not achieve market acceptance of new products, we may not be able to realize sufficient sales of our products in order to recoup research and development expenditures. The failure of any of our new products to achieve market acceptance would harm our business, financial condition, results of operation and cash flows.

---

### **We must make significant research and development expenditures prior to generating revenues from products**

To establish market acceptance of a new semiconductor device, we must dedicate significant resources to research and development, production and sales and marketing. We incur substantial costs in developing, manufacturing and selling a new product, which often significantly precede meaningful revenues from the sale of this product. Consequently, new products can require significant time and investment to achieve profitability. Prospective investors should note that our efforts to introduce new semiconductor devices or other products or services may not be successful or profitable. In addition, products or technologies developed by others may render our products or technologies obsolete or noncompetitive.

We record as expenses the costs related to the development of new semiconductor devices and other products as these expenses are incurred. As a result, our profitability from quarter to quarter and from year to year may be adversely affected by the number and timing of our new product launches in any period and the level of acceptance gained by these products.

### **Our independent manufacturers may not be able to meet our manufacturing requirements**

We do not manufacture any of our semiconductor devices. Therefore, we are referred to in the semiconductor industry as a "fabless" producer of semiconductors. Consequently, we depend upon third party manufacturers to produce semiconductors that meet our specifications. We currently have third party manufacturers that can produce semiconductors which meet our needs. However, as the semiconductor industry continues to progress to smaller manufacturing and design geometries, the complexities of producing semiconductors will increase. Decreasing geometries may introduce new problems and delays that may affect product development and deliveries. Due to the nature of the semiconductor industry and our status as a "fabless" semiconductor company, we could encounter fabrication related problems that may affect the availability of our semiconductor devices, may delay our shipments or may increase our costs.

### **Our reliance on single source manufacturers of our semiconductor devices could delay shipments and increase our costs**

None of our semiconductor devices is currently manufactured by more than one supplier. We place our orders on a purchase order basis and do not have a long term purchase agreement with any of our existing suppliers. In the event that the supplier of a semiconductor device was unable or unwilling to continue to manufacture this product in the required volume, we would have to identify and qualify a substitute supplier. Introducing new products or transferring existing products to a new third party manufacturer or process may result in unforeseen device specification and operating problems. These problems may affect product shipments and may be costly to correct. Silicon fabrication capacity may also change, or the costs per silicon wafer may increase. Manufacturing-related problems may have a material adverse effect on our business.

### **Intense competition in the markets in which we operate may reduce the demand for or prices of our products**

Competition in the semiconductor industry is intense. If our main target market, the embedded systems market, continues to grow, the number of competitors may increase significantly. In addition, new semiconductor technology may lead to new products that can perform similar functions as our products.

Some of our competitors and other semiconductor companies may develop and introduce products that integrate into a single semiconductor device the functions performed by our semiconductor devices. This would eliminate the need for our products in some applications.

In addition, competition in our markets comes from companies of various sizes, many of which are significantly larger and have greater financial and other resources than we do and thus can better withstand adverse economic or market conditions. Also, with our processor products, we compete with established embedded microprocessor companies and others. Many of these indirect competitors and microprocessor companies have significantly greater financial, technical, marketing and other resources than we. Therefore, we cannot assure you that we will be able to compete successfully in the future against existing or new competitors, and increased competition may adversely affect our business.

---

### **Failure to have our products designed into the products of electronic equipment manufacturers will result in reduced sales**

Our future success depends on electronic equipment manufacturers that design our semiconductor devices into their systems. We must anticipate market trends and the price, performance and functionality requirements of current and potential future electronic equipment manufacturers and must successfully develop and manufacture products that meet these requirements. In addition, we must meet the timing requirements of these electronic equipment manufacturers and must make products available to them in sufficient quantities. These electronic equipment manufacturers could develop products that provide the same or similar functionality as one or more of our products and render these products obsolete in their applications.

We do not have purchase agreements with our customers that contain minimum purchase requirements. Instead, electronic equipment manufacturers purchase our products pursuant to short-term purchase orders that may be canceled without charge. We believe that in order to obtain broad penetration in the markets for our products, we must maintain and cultivate relationships, directly or through our distributors, with electronic equipment manufacturers that are leaders in the embedded systems markets. Accordingly, we will often incur significant expenditures in order to build relationships with electronic equipment manufacturers prior to volume sales of new products. If we fail to develop relationships with additional electronic equipment manufacturers, to have our products designed into new embedded systems or to develop sufficient new products to replace products that have become obsolete, our business would be materially adversely affected.

### **Lower demand for our customers' products will result in lower demand for our products**

Demand for our products depends in large part on the development and expansion of the high-performance embedded systems markets including networking and telecommunications, enterprise storage, imaging and industrial applications. The size and rate of growth of these embedded systems markets may in the future fluctuate significantly based on numerous factors. These factors include the adoption of alternative technologies, capital spending levels and general economic conditions. Demand for products that incorporate high-performance embedded systems may not grow.

### **Defects in our products could increase our costs and delay our product shipments**

Our products are complex. While we test our products, these products may still have errors, defects or bugs that we find only after commercial production has begun. We have experienced errors, defects and bugs in the past in connection with new products.

Our customers may not purchase our products if the products have reliability, quality or compatibility problems. This delay in acceptance can make it more difficult to retain our existing customers and to attract new customers. Moreover, product errors, defects or bugs can result in additional development costs, diversion of technical and other resources from our other development efforts, claims by our customers or others against us, or the loss of credibility with our current and prospective customers. In the past, the additional time required to correct defects has caused delays in product shipments and resulted in lower revenues. We may have to spend significant amounts of capital and resources to address and fix problems in new products.

We must continuously develop our products using new process technology with smaller geometries to remain competitive on a cost and performance basis. Migrating to new technologies is a challenging task requiring new design skills, methods and tools and is difficult to achieve.

### **Failure to hire additional personnel and to improve our operations will limit our growth**

We have experienced rapid growth which places a significant strain on our limited personnel and other resources. To manage our expanded operations effectively, we will need to further improve our operational, financial and management systems. We will also need to successfully hire, train, motivate and manage our employees. We may not be able to manage our growth effectively, which could have a material adverse effect on our business. Also, we are seeking to hire additional skilled development engineers, who are currently in short supply. Our business could be adversely affected if we encounter delays in hiring additional engineers.

---

### **We could lose key personnel due to competitive market conditions and attrition**

Our success depends to a significant extent upon our senior management and key technical and sales personnel. The loss of one or more of these employees could have a material adverse effect on our business. We do not have employment contracts with any of our executive officers.

Our success also depends on our ability to attract and retain qualified technical, sales and marketing, customer support, financial and accounting, and managerial personnel. Competition for such personnel in the semiconductor industry is intense, and we may not be able to retain our key personnel or to attract, assimilate or retain other highly qualified personnel in the future. In addition, we may lose key personnel due to attrition, including health, family and other reasons. We have experienced, and may continue to experience, difficulty in hiring and retaining candidates with appropriate qualifications. If we do not succeed in hiring and retaining candidates with appropriate qualifications, our business could be materially adversely affected.

### **A large portion of our revenues is derived from sales to third-party distributors who may terminate their relationships with us at any time**

We depend on distributors to sell a significant portion of our products. In the nine months ended September 30, 2000 and in 1999, net revenues through distributors accounted for approximately 65% and 57%, respectively, of our net revenues. Some of our distributors also market and sell competing products.

Distributors may terminate their relationships with us at any time. Our future performance will depend in part on our ability to attract additional distributors that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. We may lose one or more of our current distributors or may not be able to recruit additional or replacement distributors. The loss of one or more of our major distributors could have a material adverse effect on our business.

### **The demand for our products depends upon our ability to support evolving industry standards**

Substantially all of our revenues are derived from sales of products which rely on the PCI standard. If the embedded systems markets move away from this standard and begin using new standards, we may not be able to successfully design and manufacture new products that use these new standards. There is also the risk that new products we develop in response to new standards may not be accepted in the market. In addition, the PCI standard is continuously evolving, and we may not be able to modify our products to address new PCI specifications. Any of these events would have a material adverse effect on our business.

### **The successful marketing and sales of our products depend upon our third party relationships, which are not supported by written agreements**

When marketing and selling our semiconductor devices, we believe we enjoy a competitive advantage based on the availability of development tools offered by third parties. These development tools are used principally for the design of other parts of the embedded system but also work with our products. We will lose this advantage if these third party tool vendors cease to provide these tools for existing products or do not offer them for our future products. This event could have a material adverse effect on our business. We generally have no written agreements with these third parties, and these parties could choose to stop providing these tools at any time.

### **Our limited ability to protect our intellectual property and proprietary rights could adversely affect our competitive position**

Our future success and competitive position depend upon our ability to obtain and maintain proprietary technology used in our principal products. Currently, we have limited protection of our intellectual property in the form of patents and rely instead on trade secret protection. Our existing or future patents may be invalidated, circumvented, challenged or licensed to others. The rights granted thereunder may not provide competitive advantages to us. In addition, our future patent applications may not be issued with the scope of the claims sought by us, if at all. Furthermore, others may develop technologies that are similar or superior to our technology, duplicate our technology or design around the patents owned or licensed by us. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable or limited in foreign countries where we may need protection. We cannot be sure that steps taken by us to protect our technology will prevent misappropriation of the technology.

---

We may from time to time receive notifications of claims that we may be infringing patents or other intellectual property rights owned by other third parties. While there is currently no intellectual property litigation pending against us, litigation could result in significant expenses to us, adversely affect sales of the challenged product or technology. This litigation could also divert the efforts of our technical and management personnel, whether or not the litigation is determined in our favor. In addition, we may not be able to develop or acquire non-infringing technology or procure licenses to the infringing technology under reasonable terms. This could require expenditures by us of substantial time and other resources. Any of these developments would have a material adverse effect on our business.

### **The cyclical nature of the semiconductor industry may lead to significant variances in the demand for our products**

In the last two years, the semiconductor industry has been characterized by significant downturns and wide fluctuations in supply and demand. Also, during this time, the industry has experienced significant fluctuations in anticipation of changes in general economic conditions, including economic conditions in Asia. This cyclical nature has led to significant variances in product demand and production capacity. It has also accelerated erosion of average selling prices per unit. We may experience periodic fluctuations in our future financial results because of industry-wide conditions.

### **Because we sell our products to customers outside of North America and because our products are incorporated with products of others that are sold outside of North America we face foreign business, political and economic risks**

Sales outside of North America accounted for 41% of our revenues for the nine months ended September 30, 2000. In 1999, 1998, and 1997 sales outside of North America accounted for 33%, 34%, and 22% of our revenues, respectively. We anticipate that these sales may increase in future periods and may account for an increasing portion of our revenues. In addition, equipment manufacturers who incorporate our products into their products, sell their products outside of North America, thereby exposing us indirectly to foreign risks. Further, most of our semiconductor products are manufactured outside of North America. Accordingly, we are subject to international risks, including:

- difficulties in managing distributors,
- difficulties in staffing and managing foreign subsidiary and branch operations,
- political and economic instability,
- foreign currency exchange fluctuations,
- difficulties in accounts receivable collections,
- potentially adverse tax consequences,
- timing and availability of export licenses,
- changes in regulatory requirements, tariffs and other barriers,
- difficulties in obtaining governmental approvals for telecommunications and other products, and

- the burden of complying with complex foreign laws and treaties.

Because sales of our products have been denominated to date exclusively 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, leading to a reduction in sales and profitability in that country.

20

### **Our principal stockholders have significant voting power and may take actions that may not be in the best interests of our other stockholders**

Our executive officers, directors and other principal stockholders, in the aggregate, beneficially own approximately 40% of our outstanding common stock. Although these stockholders do not have majority control, they currently have, and likely will continue to have, significant influence with respect to 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 stockholders. In addition, the voting power of these stockholders could have the effect of delaying or preventing a change in control of PLX.

### **The anti-takeover provisions in our certificate of incorporation could adversely affect the rights of the holders of our common stock**

Anti-takeover provisions of Delaware law and our Certificate of Incorporation may make a change in control of PLX more difficult, even if a change in control would be beneficial to the stockholders. These provisions may allow the Board of Directors to prevent changes in the management and control of PLX. Under Delaware law, our Board of Directors may adopt additional anti-takeover measures in the future.

One anti-takeover provision that we have is the ability of our Board of Directors to determine the terms of preferred stock and issue preferred stock without the approval of the holders of the common stock. Our Certificate of Incorporation allows the issuance of up to 5,000,000 shares of preferred stock. There are no shares of preferred stock outstanding. However, because the rights and preferences of any series of preferred stock may be set by the Board of Directors in its sole discretion without approval of the holders of the common stock, the rights and preferences of this preferred stock may be superior to those of the common stock. Accordingly, the rights of the holders of common stock may be adversely affected.

21

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We have an investment portfolio of fixed income securities, including those classified as cash equivalents of approximately \$44.9 million at September 30, 2000. These securities are subject to interest rate fluctuations and will decrease in market value if interest rates increase.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. We invest primarily in high-quality, short-term and long-term debt instruments. A hypothetical 100 basis point increase in interest rates would result in less than \$0.5 million decrease (less than 2%) in the fair value of our available-for-sale securities.

22

## **PART II. OTHER INFORMATION**

### **Item 6. Exhibits And Reports On Form 8-K**

#### (a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1#	Agreement and Plan of Merger dated April 19, 2000 by and among PLX Technology, Inc., OKW Technology Acquisition Corporation and Sebring Systems, Inc.
3.1*	Amended and Restated Certificate of Incorporation of the Registrant.
3.2*	Registrant's Amended and Restated Bylaws.
4.1	Reference is made to Exhibit 3.1.
10.1*	Form of Indemnification Agreement between PLX and each of its Officers and Directors.
10.2*+	1998 Stock Incentive Plan.
10.3*+	1999 Stock Incentive Plan.
10.4*	Lease Agreement dated December 20, 1995 by and between Aetna Life Insurance Company as Landlord and PLX as Tenant.
10.5*	Lease Agreement dated October 17, 1997 between The Arrillaga Foundation and The Perry Foundation as Landlords and PLX as Tenant, as amended.
10.6*+	Form of Restricted Stock Purchase Agreement used in connection with the 1986 Restricted Stock Purchase Program.
10.7*+	Form of Pledge Agreement used in connection with the 1986 Restricted Stock Purchase Program.
10.8*+	Form of Promissory Note used in connection with the 1986 Restricted Stock Purchase Program.
10.9*	PLX Technology, Inc. Stock Restriction, Information Rights and Registration Rights Agreement dated April 19, 1989.
10.10*	PLX Technology, Inc. Stock Restriction, Information Rights and Registration Rights Agreement dated July 3, 1991.
10.11	Loan Agreement dated October 25, 2000 between Wells Capital Management and PLX.
27.1	Financial Data Schedule.

\* Incorporated by reference to the same numbered exhibit previously filed with the Company's Registration Statement on Form S-1 (Registration No. 333-71795).

# Incorporated by reference to Exhibit 2.1 to Form 8-K as filed May 30, 2000.

+ Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K. A report on Form 8-K/A was filed by the Company August 2, 2000 for the acquisition of Sebring Systems, Inc.

Items 1, 2, 3, 4 and 5 of Part II have been omitted, as they are not applicable.

23

---

**SIGNATURE**

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.

**PLX TECHNOLOGY, INC.**  
*(Registrant)*

Date: November 14, 2000

By: /s/ Rafael Torres

---

Rafael Torres  
Vice President, Finance and  
Chief Financial Officer  
*(Authorized Officer and  
Principal Financial Officer)*

24



WELLS FARGO BANK

CERTIFICATE OF INCUMBENCY

TO: WELLS FARGO BANK, NATIONAL ASSOCIATION

The undersigned, Scott M. Gibson, Secretary of PLX TECHNOLOGY, INC., a corporation created and existing under the laws of the state of Delaware, hereby certifies to Wells Fargo Bank, National Association ("Bank") that (a) the following named persons are duly elected officers of this corporation and presently hold the titles specified below, (b) said officers are authorized to act on behalf of this Corporation in transactions with Bank, and (c) the signature opposite each officer's name is his or her true signature:

/s/ Michael J. Salameh

\_\_\_\_\_

Michael J. Salameh  
President

The undersigned further certifies that if any of the above-named officers change, or if, at any time, any of said officers are no longer authorized to act on behalf of this corporation in transactions with Bank, this corporation shall immediately provide to Bank a new Certificate of Incumbency. Bank is hereby authorized to rely on this Certificate of Incumbency until a new Certificate of Incumbency certified by the Secretary of this corporation is received by Bank.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the corporate seal of said corporation as of \_\_\_\_\_.

/s/ Scott M. Gibson

\_\_\_\_\_

Scott M. Gibson  
Secretary

(SEAL)

WELLS FARGO BANK

DISBURSEMENT ORDER

DATE: **October 25, 2000**

OFFICE: **Peninsula Technology RCBO, 400 Hamilton Avenue, Palo Alto, CA 94301**

Wells Fargo Bank, National Association, is hereby authorized to pay the proceeds of the credit accommodation to the undersigned granted in the principal amount of \$28,500,000.00 to the order of:

Name	Amount
PLX Technology, Inc.	\$ 28,500,000
	\$
	\$
	\$
	\$

PLX TECHNOLOGY, INC.

By: /s/ Michael J. Salameh

\_\_\_\_\_

Micheal J. Salameh  
President

PROMISSORY NOTE

\$28,500,000.00

Palo Alto, California

FOR VALUE RECEIVED, the undersigned PLXTECHNOLOGY, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 400 Hamilton Avenue, Palo Alto, California, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Twenty Eight Million Five Hundred Thousand Dollars (\$28,500,000.00), with interest thereon as set forth herein.

DEFINITIONS:

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

(b) "Fixed Rate Term" means a period of 1, 2, 3, 6, 9 or 12 months, as designated by Borrower, during which the entire outstanding principal balance of this Note bears interest determined in relation to LIBOR, with the understanding that (i) the initial Fixed Rate Term shall commence on the date this Note is disbursed, (ii) each successive Fixed Rate Term shall commence automatically, and without notice to or consent from Borrower, on the first Business Day following the date on which the immediately preceding Fixed Rate Term matures, and (iii) if, on the first Business Day of the last Fixed Rate Term applicable hereto the remaining term of this Note is less than [one (1) month, said Fixed Rate Term shall be in effect only until the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(c) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

1

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a fixed rate per annum determined by Bank to be forty-five hundredths of one percent (0.45%) above LIBOR in effect on the first day of each Fixed Rate Term. With respect to each Fixed Rate Term hereunder, Bank is hereby authorized to note the date and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. At the time this Note is disbursed and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying the length of the applicable Fixed Rate Term. Any such notice may be given by telephone so long as (i) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (ii) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If Bank has not received such notice at the time principal is disbursed hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have selected the shortest permitted Fixed Rate Term.

(b) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(c) Payment of Interest. Interest accrued on this Note shall be payable on the 6th day of each month, commencing December 6, 2000.

2

(d) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

#### REPAYMENT AND PREPAYMENT:

(a) Repayment. The outstanding principal balance of this Note shall be due and payable in full on November 6, 2005.

(b) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof.

(c) Prepayment. Borrower may prepay principal on this Note at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance hereof. In consideration of Bank providing this prepayment option to Borrower, or if this Note shall become due and payable at any time prior to the last day of any Fixed Rate Term by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Each Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Each Borrower, therefore, agrees to pay the above described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

#### EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of October 25, 2000, as amended from

3

---

time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

#### MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holders in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

(b) Obligations joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Undersigned has executed this Note as of the date first written above.

PLX TECHNOLOGY

By: /s/ Michael J. Salameh

---

Michael J. Salameh  
President

4

## SECURITY AGREEMENT: SECURITIES ACCOUNT

1. **GRANT OF SECURITY INTEREST.** For valuable consideration, the undersigned **PLX TECHNOLOGY, INC.**, or any of them (“Debtor”), hereby grants and transfers to **WELLS FARGO BANK, NATIONAL ASSOCIATION** (“Bank”) a security interest in (a) Debtor’s **Wells Capital Management Liquidity** Account No.000758 (whether held in Debtor’s name or as a Bank collateral account for the benefit of Debtor), and all replacements or substitutions therefore, including any account resulting from a renumbering or other administrative re-identification thereof (collectively, the “Securities Account”) maintained with **WELLS FARGO BANK, NATIONAL ASSOCIATION**, acting through its Investment Group (“Intermediary”), (b) all financial assets credited to the Securities Account, (c) all security entitlements with respect to the financial assets credited to the Securities Account, and (d) any and all other investment property or assets maintained or recorded in the Securities Account (with all the foregoing defined as “Collateral”), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, (i) all rights to payment, including returned premiums, with respect to any insurance relating to any of the foregoing, (ii) all rights to payment with respect to any cause of action affecting or relating to any of the foregoing, and (iii) all stock rights, rights to subscribe, stock splits, liquidating dividends, cash dividends, dividends paid in stock, new securities or other property of any kind which Debtor is or may hereafter be entitled to receive on account of any securities pledged hereunder, including without limitation, stock received by Debtor due to stock splits or dividends paid in stock or sums paid upon or in respect of any securities pledged hereunder upon the liquidation or dissolution of the issuer thereof (hereinafter called “Proceeds”). Except as otherwise expressly permitted herein, in the event Debtor receives any such Proceeds, Debtor will hold the same in trust on behalf of and for the benefit of Bank and Will immediately deliver all such Proceeds to Bank in the exact form received, with the endorsement of Debtor if necessary and/or appropriate undated stock powers duly executed in blank, to be held by Bank as part of the Collateral, subject to all terms hereof. As used herein, the terms “security entitlement,” “financial asset” and “investment property” shall have the respective meanings set forth in the California Uniform Commercial Code.

2. **OBLIGATIONS SECURED.** The obligations secured hereby are the payment and performance of; (a) all present and future Indebtedness of Debtor to Bank as described in Section 6 of the Addendum hereto; and (b) all obligations of Debtor and rights of Bank under this Agreement. The word “Indebtedness” is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Debtor may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable, but, notwithstanding the generality of the foregoing definition, shall be limited as set forth In Section 6 of the Addendum.

3. **TERMINATION.** This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation, the payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

1

---

4. **OBLIGATIONS OF BANK.** Bank shall have no duty to take any steps necessary to preserve the rights of Debtor against prior parties, or to initiate any action to protect against the possibility of a decline in the market value of the Collateral or Proceeds. Bank shall not be obligated to take any action with respect to the Collateral or Proceeds requested by Debtor unless such request is made in writing and Bank determines, in its sole discretion, that the requested action would not unreasonably jeopardize the value of the Collateral and Proceeds as security for the Indebtedness.

5. **REPRESENTATIONS AND WARRANTIES.** Debtor represents and warrants to Bank that: (a) Debtor is the sole owner of the Collateral and Proceeds; (b) Debtor has the right to grant a security interest in the Collateral and Proceeds; (c) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or heretofore disclosed by Debtor to Bank, in writing; (d) all statements contained herein and, where applicable, in the Collateral, are true and complete in all material respects; (e) no financing statement or control agreement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, exists or is on file in any public office or remains in effect; (f) no person or entity, other than Debtor, Bank and Intermediary, has any interest in or control over the Collateral; and (g) specifically with respect to Collateral and Proceeds consisting of investment securities, instruments, chattel paper, documents, contracts, insurance policies or any like property, (i) all persons appearing to be obligated thereon have authority and capacity to contract and are bound as they appear to be, and (ii) the same comply with applicable laws concerning form, content and manner of preparation and execution.

### 6. COVENANTS OF DEBTOR.

(a) Debtor agrees in general: (i) to pay Indebtedness secured hereby when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to pay all costs and expenses, including reasonable attorneys’ fees, incurred by Bank in the perfection and preservation of the Collateral or Bank’s interest therein and/or the realization, enforcement and exercise of Bank’s rights, powers and remedies hereunder; (iv) to permit Bank to exercise its powers; (v) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; and (vi) not to change its chief place of business (or personal residence, if applicable) or the places where Debtor keeps any of Debtor’s records concerning the Collateral and Proceeds without first giving Bank written notice of the address to which Debtor is moving same.

(b) Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) not to permit any security interest in or lien on the Collateral or Proceeds, except in favor of Bank and except liens in favor of Intermediary to the extent expressly permitted by Bank in writing; (ii) not to hypothecate or permit the transfer by operation of law of any of the Collateral or Proceeds or any interest therein; (iii) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (iv) if requested by Bank, to receive and use reasonable diligence to collect Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (v) in the event Bank elects to receive payments of Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts,

2

---

filing, recording, record keeping and expenses incidental thereto; (vi) to provide any service and do any other acts which may be necessary to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims; and (vii) if the Collateral or Proceeds consists of securities and so long as no Event of Default exists, to vote said securities and to give consents, waivers and ratifications with respect thereto, provided that no vote shall be cast or consent, waiver or ratification given or action taken which would impair Bank’s interests in the Collateral and Proceeds or be inconsistent with or violate any provisions of this

Agreement Debtor further agrees that any party now or at any time hereafter authorized by Debtor to advise or otherwise act with respect to the Securities Account shall be subject to all terms and conditions contained herein and in any control, custodial or other similar agreement at any time in effect among Bank, Debtor and Intermediary relating to the Collateral.

7. **POWERS OF BANK.** Debtor appoints Bank its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to notify any person obligated on any security, instrument or other document subject to this Agreement of Bank's rights hereunder; (c) to collect by legal proceedings or otherwise all dividends, interest, principal or other sums now or hereafter payable upon or on account of the Collateral or Proceeds; (d) to enter into any extension, reorganization, deposit, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral or Proceeds, and in connection therewith to deposit or surrender control of the Collateral and Proceeds, to accept other property in exchange for the Collateral and Proceeds, and to do and perform such acts and things as Bank may deem proper with any money or property received in exchange for the Collateral or Proceeds, at Bank's option, to be applied to the Indebtedness or held by Bank under this Agreement; (e) to make any compromise or settlement Bank deems desirable or proper in respect of the Collateral and Proceeds; (f) to insure, process and preserve the Collateral and Proceeds; (g) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; and (h) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. To effect the purposes of this Agreement or otherwise upon instructions of Debtor, or any of them, Bank may cause any Collateral and/or Proceeds to be transferred to Bank's name or the name of Bank's nominee. If an Event of Default has occurred and is continuing and pending foreclosure by Bank of the Collateral, any or all Collateral and/or Proceeds consisting of securities may be registered, without notice, in the name of Bank or its nominee, and thereafter Bank or its nominee may exercise, without notice, all voting and corporate rights at any meeting of the shareholders of the issuer thereof, any and all rights of conversion, exchange or subscription, or any other rights, privileges or options pertaining to such Collateral and/or Proceeds, all as if it were the absolute owner thereof. The foregoing shall include, without limitation, the right of Bank or its nominee to exchange, at its discretion, any and all Collateral and/or Proceeds upon the merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof, or upon the exercise by the issuer thereof or Bank of any right, privilege or option pertaining to any shares of the Collateral and/or Proceeds, and in connection therewith, the right to deposit and deliver any and all of the Collateral and/or Proceeds with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as Bank may determine. All of the foregoing rights, privileges or options may be exercised without liability on the part of Bank or its nominee except to account for property actually received by Bank. Bank shall have no duty to exercise any of the

3

---

foregoing, or any other rights, privileges or options with respect to the Collateral or Proceeds and shall not be responsible for any failure to do so or delay in so doing.

8. **PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS.** Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of Section 15 hereof, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. **EVENTS OF DEFAULT.** The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any defined event of default under any loan or credit agreement relating to or executed in connection with any Indebtedness, or (b) any default by Borrower under any control, custodial or other similar agreement in effect among Bank, Debtor and Intermediary relating to the Collateral.

10. **REMEDIES.** Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the right to contact Intermediary and to instruct Intermediary to deliver all Collateral and/or Proceeds directly to Bank. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing- It is agreed that public or private sales, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales. While an Event of Default exists: (a) Debtor will not dispose of any of the Collateral or Proceeds except on terms approved by Bank; (b) Bank may appropriate the Collateral and apply all Proceeds toward repayment of the Indebtedness in such order of application as Bank may from time to time elect; (c) Bank may take any action with respect to the Collateral contemplated by any control, custodial or other similar agreement then in effect among Bank, Debtor and Intermediary; and (d) at Bank's request, Debtor will assemble and deliver all books and records pertaining to the Collateral or Proceeds to Bank at a reasonably convenient place designated by Bank. For any Collateral or Proceeds consisting of securities, Bank shall have no obligation to delay a sale of any portion thereof for the period of time necessary to permit the issuer thereof to register such securities for public sale under any applicable state or Federal law, even if the issuer thereof would agree to do so.

11. **DISPOSITION OF COLLATERAL AND PROCEEDS.** Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds

4

---

and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred, Bank shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of any of the Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect.

12. **STATUTE OF LIMITATIONS.** Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder-

13. **MISCELLANEOUS.** (a) The obligations of Debtor are joint and several; (b) Debtor waives any right (i) to require Bank to make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder, (ii) to direct the application of payments or security for any Indebtedness of Debtor, or indebtedness of customers of Debtor, or (iii) to require proceedings against others or to require exhaustion of security; and (c) Debtor hereby consents to extensions, forbearances or alterations of the terms of Indebtedness, the release or substitution of security, and the release of any guarantors; provided however, that in each instance, Bank believes in good faith that the action in question is commercially reasonable in that it does not unreasonably increase the risk of nonpayment of the Indebtedness to which the action applies. Until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank.

14. **NOTICES.** All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Debtor and Bank and to Debtor at the address of its chief executive office (or personal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and Sh811 be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. **COSTS, EXPENSES AND ATTORNEYS' FEES,** Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in exercising any right, power, privilege or remedy conferred by this Agreement or in the enforcement thereof, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto, All of the foregoing shall be paid by

5

---

Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or the Prime Rate in effect from time to time.

16. **SUCCESSORS; ASSIGNS; AMENDMENT.** This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. **OBLIGATIONS OF MARRIED PERSONS.** Any married person who signs this Agreement as Debtor hereby expressly agrees that recourse may be had against his or her separate property for all his or her Indebtedness to Bank secured by the Collateral and Proceeds under this Agreement.

18. **SEVERABILITY OF PROVISIONS.** If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the Laws of the State of California.

20. **ADDENDUM.** Additional terms and conditions relating to the Securities Account are set forth in an Addendum attached hereto and incorporated herein by this reference.

Debtor warrants that its chief executive office (or personal residence, if applicable) is located at the following address: 390 POTRERO AVENUE, SUNNYVALE, CA 94086.

IN WITNESS WHEREOF, this Agreement has been duly executed as of October 25, 2000.

PLX TECHNOLOGIES

By: /s/ Michael J. Salameh

---

Michael J. Salameh  
President

6

---

#### **ADDENDUM TO SECURITY AGREEMENT: SECURITIES ACCOUNT**

THIS ADDENDUM is attached to and made a part of that certain Security Agreement: Securities Account executed by PLX TECHNOLOGY, INC. ("Debtor") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"), dated as of October 25, 2000 (the "Agreement").

The following provisions are hereby incorporated into the Agreement:

1. **Securities Account Activity.** So long as no Event of Default exists, Debtor, or any party authorized by Debtor to act with respect to the Securities Account, may (a) receive payments of interest and/or cash dividends earned on financial assets maintained in the Securities Account, (b) trade financial assets

maintained in the Securities Account, and (c) in addition to the distributions described in clause (a); withdraw Collateral from the Securities Account free and clear of Bank's security interest therein \$0 long as the Collateral Value of the Collateral remaining in the Securities Account after each such withdrawal is not less than one hundred percent (100%) the outstanding principal balance of the Indebtedness secured hereby. Without Bank's prior written consent, except as permitted by the preceding sentence, neither Debtor nor any party other than Bank may withdraw or receive any distribution of any Collateral from the Securities Account. The Collateral Value of the Securities Account shall at all times be equal to or greater than one hundred percent (100%) of the outstanding principal balance of the Indebtedness secured hereby. In the event that the Collateral Value, for any reason and at any time, is less than the required amount, Debtor shall promptly make a principal reduction on the Indebtedness or deposit additional assets of a nature satisfactory to Bank into the Securities Account, in either case in amounts or with values sufficient to achieve the required Collateral Value.

2. "Collateral Value". means the percentage set forth below for each type of Investment property held in the Securities Account at the time of computation;

(a) 100% of the face amount of cash and cash equivalents;

(b) 90% of the market value of obligations of the United States of America, but not to exceed the face amount;

(c) 90% of the market fair of commercial paper rated at least A1 by a nationally recognized rating agency, but not to exceed the face amount;

(d) 85% of the market value of corporate and municipal bonds (excluding convertible bonds) rated at least AA by a nationally recognized rating agency, but not to exceed the face amount;

(e) 85% of the market value of "money market" mutual funds;

with market value, in all instances, determined by Bank in its sole discretion, and excluding from such computation all WF Securities and Common Trust Funds.

3. Exclusion from Collateral. Notwithstanding anything herein to the contrary, the terms "Collateral" and "Proceeds" do not include, and Bank disclaims a security interest in all WF Securities and Common Trust Funds now or hereafter maintained in the Securities Account.

1

---

4. "Common Trust Funds" means common trust funds as described in 12 CFR 9.18 and includes, without limitation, common trust funds maintained by Bank for the exclusive use of its fiduciary clients.

5. "WF Securities" means stock, securities or obligations of Wells Fargo & Company or of any affiliate thereof (as the term affiliate is defined in Section 23A of the Federal Reserve Act (12 USC 371(c), as amended from time to time).

6. Limitation on Indebtedness. Notwithstanding anything in this Agreement to the contrary, the Indebtedness secured hereby is limited to all obligations of Debtor arising, under or in connection with that certain Term Note executed by Debtor and payable to the order of Bank, dated as of October 25, 2000, in the original principal amount of \$28,500,000.00, and all extensions, renewals or modifications thereof, and restatements or substitutions therefore.

IN WITNESS WHEREOF, this Addendum has been executed as of the same date as the Agreement.

PLX TECHNOLOGY, INC

By: /s/ Michael J. Salameh

\_\_\_\_\_  
Michael J. Salameh  
President

WELLS FARGO BANK,  
NATIONAL ASSOCIATION

By: /s/ Sherrill Swan

\_\_\_\_\_  
Sherrill Swan  
Vice President

2

---

**SECURITIES ACCOUNT CONTROL AGREEMENT  
(Bank Intermediary)**

THIS SECURITIES ACCOUNT CONTROL AGREEMENT (this "Agreement") is entered into as of October 25, 2000, by and among PLX TECHNOLOGY, INC. ("Customer"), WELLS FARGO BANK, NATIONAL ASSOCIATION, acting through its Investment Group ("Intermediary"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, acting through its Peninsula Regional Commercial Banking Office ("Secured Party").

**RECITALS**

A. Customer maintains that certain Wells Capital Investment Management Account No.000758 (the "Securities Account") with Intermediary pursuant to an agreement between Intermediary and Customer dated as of \_\_\_\_\_, and governed by the laws of the State of California (the "Account Agreement"). and

Customer has granted to Secured Party a security interest in the Securities Account and all financial assets and other property now or at any time hereafter held in the Securities Account.

B. Secured Party, Customer and Intermediary have agreed to enter into this Agreement to perfect Secured Party's security interests in the Collateral, as defined below.

NOW, THEREFORE, in consideration of their mutual covenants and promises, the parties agree as follows:

1. DEFINITIONS. As used herein;

(a) the term "Collateral" shall mean: (i) the Securities Account; (ii) all financial assets credited to the Securities Account; (iii) all security entitlements with respect to the financial assets credited to the Securities Account; (iv) any and all other investment property or assets maintained or recorded in the Securities Account; and (v) all replacements or substitutions for, and proceeds of the sale or other disposition of, any of the foregoing, including without limitation, cash proceeds; and

(b) the terms "investment property," "entitlement order," "financial asset" and "security entitlement" shall have the respective meanings set forth in the California Uniform Commercial Code. The parties hereby expressly agree that all property, including without limitation, cash, certificates of deposit and mutual funds, at any time held in the Securities Account is to be treated as a "financial asset."

2. AGREEMENT FOR CONTROL. Intermediary is authorized by Customer and agrees to comply with all entitlement orders originated by Secured Party with respect to the Securities Account, and all other requests or instructions from Secured Party regarding disposition and/or delivery of the Collateral, without further consent or direction from Customer or any other party.

3. CUSTOMER'S RIGHTS WITH RESPECT TO THE COLLATERAL.

(a) Until Intermediary is notified otherwise by Secured Party: (i) Customer, or any party authorized by Customer to act with respect to the Securities Account, may give trading instructions to Intermediary with respect to Collateral in the Securities Account; (ii) Intermediary may distribute to Customer or any other party in accordance with Customer's directions that portion of the Collateral which consists of interest and/or cash dividends earned on financial assets maintained in the Securities Account; and (iii) in addition to the distributions described in clause (ii) Intermediary may distribute to Customer or any other party in accordance with Customer's directions any Collateral so long as the Collateral Value (as defined in an Addendum to Security Agreement: Securities Account of even date herewith, as amended or replaced from time to time a copy of which is attached hereto) is not less than the amount required pursuant to said Addendum.

1

---

(b) Without Secured Party's prior written consent, except to the extent permitted by Section 3(a) hereof: (i) neither Customer nor any party other than Secured Party may withdraw any Collateral from the Securities Account; and (ii) Intermediary will not comply with any entitlement order or request to withdraw any Collateral from the Securities Account given by any party other than Secured Party.

(c) Upon receipt of either written or oral notice from Secured Party: (i) Intermediary shall promptly cease complying with entitlement orders and other instructions concerning the Collateral, including the Securities Account, from all parties other than Secured Party; and (ii) Intermediary shall not make any further distributions of any Collateral to any party other than Secured Party, nor permit any further voluntary changes in the financial assets.

4. INTERMEDIARY'S ACKNOWLEDGMENTS. Intermediary acknowledges that:

(a) The Securities Account is maintained with Intermediary solely in Customer's name.

(b) Intermediary has no knowledge of any claim to, security interest in or lien upon any of the Collateral, except: (i) the security interests in favor of Secured Party; and (ii) Intermediary's liens securing fees and charges, or payment for open trade commitments, as described in Section 4(c) hereof.

(c) Any claim to, security interest in or lien upon any of the Collateral which Intermediary now has or at any time hereafter acquires shall be junior and subordinate to the security interests of Secured Party in the Collateral, except for Intermediary's liens securing: (i) fees and charges owed by Customer with respect to the operation of the Securities Account; and (ii) payment owed to Intermediary for open trade commitments for purchases in and for the Securities Account.

5. AGREEMENTS OF INTERMEDIARY AND CUSTOMER. Intermediary and Customer agree that:

(a) Intermediary shall flag its books, records and systems to reflect Secured Party's security interests in the Collateral, and shall provide notice thereof to any party making inquiry as to Customer's accounts with Intermediary to whom or which Intermediary is legally required or permitted to provide information.

(b) Intermediary shall send copies of all statements relating to the Securities Account simultaneously to Customer and Secured Party.

(c) Intermediary shall promptly notify Secured Party if any other party asserts any claim to, security interest in or lien upon any of the Collateral, and Intermediary shall not enter into any control, custodial or other similar agreement with any other party that would create or acknowledge the existence of any such other claim, security interest or lien.

(d) Without Secured Party's prior written consent, Intermediary and Customer shall not amend, modify or terminate the Account Agreement, other than: (i) amendments to reflect ordinary and reasonable changes in Intermediary's fees and charges for handling the Securities Account; and (ii) operational changes initiated by Intermediary as long as they do not alter any of Secured Party's rights hereunder.

6. MISCELLANEOUS.

(a) This Agreement shall not create any obligation or duty of Intermediary except as expressly set forth herein,



(b) In the event of any conflict between this Agreement and the Account Agreement or any other agreement between Intermediary and Customer, the terms of this Agreement shall control.

---

(c) All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing (unless otherwise specifically provided) and delivered to each party at the address or facsimile number set forth below its signature, or to such other address or facsimile number as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by facsimile upon receipt; and (iii) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid.

(d) This Agreement shall be binding upon and Inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties. This Agreement may be amended or modified only in writing signed by all parties hereto

(e) This Agreement shall terminate upon Intermediary's receipt of written notice from Secured Party expressly stating that Secured Party no longer claims any security interest in the Collateral.

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

WELLS FARGO BANK,  
NATIONAL ASSOCIATION,  
acting through its Investment Group

By: \_\_\_\_\_

WELLS FARGO BANK,  
NATIONAL ASSOCIATION,  
acting through its Peninsula Regional Commercial  
Banking Office

By: /s/ Sherrill Swan

\_\_\_\_\_  
Sherrill Swan  
Vice President  
Address: P.O. Box 150  
Palo Alto, CA 94301  
Fax No: 650-328-0814

By: \_\_\_\_\_

Title:  
Address: Fax No:

PLX TECHNOLOGY, INC.

/s/ Micheal J. Salameh

\_\_\_\_\_  
Micheal J. Salameh  
Address:  
390 Potrero Avenue  
Sunnyvale, CA 94086 Fax No:

THIS ADDENDUM is attached to and made a part of that certain Security Agreement: Securities Account executed by PLX TECHNOLOGY, INC. (“Debtor”) in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank.”), dated as of October 25,2000 (the “Agreement”).

The following provisions are hereby incorporated into the Agreement:

1. Securities Account Activity. So long as no Event of Default exists, Debtor, or any party authorized by Debtor to act with respect Securities Account, (b) trade financial assets maintained in the Securities Account. and (c) in addition to the distributions described in clause (a), withdraw Collateral from the Securities Account free and clear of Bank’s security interest therein so long as the Collateral Value of the Collateral remaining in the Securities Account after each such withdrawal is not less than one hundred percent (100%) of the outstanding principal balance of the Indebtedness secured hereby. Without Bank’s prior written consent, except as permitted by the preceding sentence, neither Debtor nor any party other than Bank may withdraw or receive any distribution of any Collateral from the Securities Account. The Collateral Value of the Securities Account shall at all times be equal to or greater than one hundred percent (100%) of the outstanding principal balance of the Indebtedness secured hereby. In the event that the Collateral Value, for any reason and at any time, is less than the required amount, Debtor shall promptly make a principal reduction on the Indebtedness or deposit additional assets of a nature satisfactory to Bank into the Securities Account, in either case in amounts or with values sufficient to achieve the required Collateral Value.

2. “Collateral Value” means the percentage set forth below for each type of investment property held in the Securities Account at the time of computation:

- (a) 100% of the face amount of cash and cash equivalents;
- (b) 90% of the market value of obligations of the United States of America, but not to exceed the face amount;
- (c) 90% of the market value of commercial paper rated at least A1 by a nationally recognized rating agency, but not to exceed the face amount;
- (d) 85% of the market value of corporate and municipal bonds (excluding convertible bonds) rated at least AA by a nationally recognized rating agency, but not to exceed the face amount;
- (e) 85% of the market value of “money market” mutual funds;

with market value, in all instances, determined by Bank in its sole discretion, and excluding from such computation all WF Securities and Common Trust Funds.

3. Exclusion from Collateral. Notwithstanding anything herein to the contrary, the terms “Collateral” and include, and Bank disclaims a security interest in all WF Securities and Common Trust Funds now or hereafter maintained in the Securities Account.

1

---

4. “Common Trust Funds” means common trust funds as described in 12 CFR 9.18 and includes, without limitation, common trust funds maintained by Bank for the exclusive use of its fiduciary clients.

5. “WF Securities” means stock, securities or obligations of Wells Fargo & Company or of any affiliate thereof (as the term affiliate is defined in Section 23A of the Federal Reserve Act (12 USC 371 (c), as amended from time to time).

6. Limitation on Indebtedness. Notwithstanding anything in this Agreement to the contrary, the Indebtedness secured hereby is limited to all obligations of Debtor arising under or in connection with that certain Term Note executed by Debtor and payable to the order of Bank, dated as of October 25, 2000, in the original principal amount of \$28,500,000.00, and all extensions, renewals or modifications thereof, and restatements or substitutions therefor.

IN WITNESS WHEREOF, this Addendum has been executed as of the same date as the Agreement.

PLX TECHNOLOGY, INC.

By: /s/ Michael J. Salameh

\_\_\_\_\_  
Michael J. Salameh

WELLS FARGO BANK  
NATIONAL ASSOCIATION

By: /s/ Sherrill Swan

\_\_\_\_\_  
Title: Sherrill Swan  
Vice President

2

---

**CREDIT AGREEMENT**

THIS AGREEMENT is entered into as of October 25, 2000, by and between PLX TECHNOLOGY, INC., a Delaware corporation (“Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”).

## RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

### ARTICLE I CREDIT TERMS

#### SECTION 1.1. TERM LOAN.

(a) Term Loan. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make a loan to Borrower in the principal amount of Twenty Eight Million Five Hundred Thousand Dollars (\$28,500,000.00) ("Term Loan"), the proceeds of which shall be used for the purchase of real estate. Borrower's obligation to repay the Term Loan shall be evidenced by a promissory note substantially in the form of Exhibit A attached hereto ("Term Note"), all terms of which are incorporated herein by this reference. Bank's commitment to grant the Term Loan shall terminate on November 25,2000.

(b) Repayment. The principal amount of the Term Loan shall be repaid in accordance with the provisions of the Term Note.

(c) Prepayment. Borrower may prepay principal on the Term Loan solely in accordance with the provisions of the Term Note.

#### SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of the Term Note shall bear interest at the rate of interest set forth in the Term Note; provided, however, that if and to the extent that the collateral for the Term Loan described in Section 1.4 below is replaced by a deposit account or other deposit product acceptable to and maintained at Bank (the "Deposit product"), the Term Note shall be modified in writing to provide for a rate of interest determined by Bank based on Bank's matched maturity cost of funds and such other factors as Bank then considers appropriate.

(b) Computation and Payment. Interest shall be computed on the basis of a 360-day year, actual days elapsed. Interest shall be payable at the times and place set forth in each promissory note or other instrument required hereby.

1

---

SECTION 2.1. LEGAL STATUS. Borrower is a corporation, duly organized and existing and in good standing under the laws of the State of Delaware, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could have a material adverse effect on Borrower.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same enforceable in accordance with their respective terms.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the Articles of Incorporation or By-laws, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency which could have a material adverse effect on the financial condition or operation of Borrower other than those disclosed by Borrower to Bank in writing prior to the date hereof.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT. The financial statement of Borrower dated June 30,2000, a true copy of which has been delivered by Borrower to Bank prior to the date hereof, (a) is complete and correct and presents fairly the financial condition of Borrower, (b) discloses all liabilities of Borrower that are required to be reflected or reserved against under generally accepted accounting principles, whether liquidated or unliquidated, fixed or contingent, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied. Since the date of such financial statement there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted by Bank in writing.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to; all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or

3

recodified from time to time (“ERISA”); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a “Plan”); no Reportable Event as defined in ERISA has occurred and is continuing with respect to any Plan initiated by Borrower; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under generally accepted accounting principles.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower’s operations and/or properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12. SUBSIDIARIES. As of the date hereof, the entities listed in Schedule 2.12 hereto are the only entities in which Borrower owns or controls directly or indirectly 50% or more of the voting stock or other equity interests (if not a corporation). Each such entity, together with any others in which Borrower shall hereafter own or control directly or indirectly 50% or more of the voting stock or other equity interests (if not a corporation) is referred to collectively as “Subsidiaries” and individually as a “Subsidiary”.

### ARTICLE III CONDITIONS

SECTION 3.1. CONDITIONS OF INITIAL EXTENSION OF CREDIT. The obligation of Bank to extend any credit contemplated by this Agreement is subject to the fulfillment to Bank’s satisfaction of all of the following conditions:

- (a) Approval of Bank Counsel. All legal matters incidental to the extension of credit by Bank shall be satisfactory to Bank’s counsel.
- (b) Documentation. Bank shall have received, in form and Substance satisfactory to Bank, each of the following, duly executed:
  - (i) This Agreement and each promissory note or other instrument required hereby.
  - (ii) Security Agreement; Securities Account.
  - (iii) Addendum to Security Agreement; Securities Account

4

- 
- (iv) Securities Account Control Agreement.
  - (v) Corporate Resolution; Borrowing
  - (vi) Certificate of Incumbency
  - (vii) Loan Disbursement Order
  - (viii) Such other documents as Bank may require under any other Section of this Agreement.

(c) Financial Condition. There shall have been no material adverse change, as determined by Bank, in the consolidated financial condition or business of Borrower, nor any material decline, as determined by Bank, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower and Subsidiaries, taken as a whole.

(d) Insurance. Borrower shall have delivered to Bank evidence of insurance coverage on all Borrowers property, in form, substance, amounts, covering risks and issued by companies satisfactory to Bank.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank’s satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date. no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have Occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit.

### ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, and shall, as applicable, cause each Subsidiary to, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Bank, at any reasonable time, to inspect, audit and examine such books and

5

---

records, to make copies of the same, and to inspect the properties of Borrower and Subsidiaries.

SECTION 4.3. FINANCIAL STATEMENTS. Provide to Bank all of the following, in form and detail satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, a complete copy of Borrower's 10K report filed with the Securities and Exchange Commission with respect to such fiscal year, together with Borrower's proxy statement;

(b) not later than 45 days after and as of the end of each fiscal quarter, a Complete copy of Borrower's 10Q report filed with the Securities and Exchange Commission with respect to such fiscal quarter;

(c) from time to time such other information as Bank may reasonably request

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and Comply with the provisions of all documents pursuant to which Borrower and each Subsidiary is organized and/or which govern their continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower, each Subsidiary and/or its business.

SECTION 4.5. INSURANCE—Maintain and keep in force insurance of the types and in amounts customarily carried in lines of business similar to that of Borrower and each Subsidiary, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Bank, and deliver to Bank from time to time at Bank's request schedules setting forth all insurance then In effect.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's and each Subsidiary's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except such (a) as Borrower or any Subsidiary may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower or such Subsidiary has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower or any Subsidiary.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

6

---

(a) Net income after taxes not less than \$1.00 on an annual basis, determined as of each fiscal year end, with expenses, for purposes of determining compliance with this covenant, not to include amortization of (i) goodwill and other purchased intangible assets, (ii) non-cash In process research and development expense, and (iii) non-cash deferred compensation expense.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Bank in reasonable Detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower or any Subsidiary ; (C) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which Borrower or any Subsidiary is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's or any Subsidiary's property .

## ARTICLE V NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment In full of all obligations of Borrower subject hereto, Borrower will not, and will not cause or permit any Subsidiary to, without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. Use any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof.

SECTION 5.2. MERGER, TRANSFER OF ASSETS. Merge into or with any other entity unless (i) Borrower or a Subsidiary is the surviving entity , (ii) the boards of directors of all involved entities have approved the transaction, and (iii) Borrower is in compliance with all terms and conditions of this Agreement following any such merger, provided, however, that Borrower shall not merge into a Subsidiary unless Borrower is the surviving entity; make any substantial change in the nature of Borrower's or any Subsidiary's business as conducted as of the date hereof; or sell, lease, transfer or otherwise dispose of all or a substantial or material portion of Borrower's or any Subsidiary's assets except in the ordinary course of its business.

SECTION 5.3. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest or lien (collectively, "Lien") in or upon all or any portion of Borrower's or any Subsidiary's assets now owned or hereafter acquired, except any of the following:

(a) any Lien created under any Loan Document;

(b) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 4. 7: Provided, that no notice of lien has been filed or recorded with respect thereto;

7

(c) suppliers', carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent for a period of more than thirty days or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(d) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(e) Liens on the property securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business;

(f) Liens consisting of judgment or judicial attachment liens; provided, that the enforcement of such Liens is effectively stayed and all such liens in the aggregate at any time outstanding for Borrower and all Subsidiaries do not exceed \$2,000,000.00;

(g) leases, subleases, easements, rights-of-way, encroachments and other survey defects, restrictions and other similar encumbrances incurred in the ordinary course of business which do not impose material financial obligations on the Borrower or any Subsidiary, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of Borrower's or such Subsidiary's business;

(h) purchase money security interests on equipment acquired or held by Borrower or any Subsidiary securing indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such equipment; provided, that (i) any such Lien attaches to such equipment concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the equipment so acquired in such transaction, and (iii) the principal amount of the debt secured thereby does not exceed the cost of such equipment;

(i) Liens securing obligations in respect of capital leases on assets subject to such leases;

(j) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution provided, that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Borrower or any Subsidiary in excess of those set forth by regulations promulgated by the FRB, and (ii) such deposit account is not intended by Borrower to provide collateral to the depository institution;

(k) Liens assumed in connection with a business acquisition or merger; provided, that, such Lien was created prior to such acquisition or merger (and not in contemplation thereof) and if any such Lien is of a type not permitted under the other provisions of this Section 5.3, such Lien is satisfied and terminated within 30 days after such acquisition or merger; and

8

(l) any Lien existing on property of Borrower or any Subsidiary as of the date hereof and set forth on Schedule 5.3 hereto; provided, that no such Lien shall be amended to cover additional property and no such Lien shall be amended to cover additional Indebtedness.

## ARTICLE VI EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(a) Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those referred to in subsections (a) and (b) above), and with respect to any such default which by its nature can be cured, such default shall continue for a period of twenty (20) days from its occurrence.

(d) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument (other than any of the Loan Documents) pursuant to which Borrower or any Subsidiary has incurred any debt or other liability to any person or entity, including Bank, and, if the debt or other liability is owed to a person or entity other than Bank, the amount thereof exceeds \$2,000,000.00 individually or in the aggregate, and the default (i) consists of the non-payment of money when due, or is, under the applicable documentation, of a nature or type which permits the holder of such debt or liability to accelerate the same.

(e) The filing of a notice Of judgment lien against Borrower or any Subsidiary; or the recording of any abstract of judgment against Borrower or any Subsidiary in any county in which Borrower or such Subsidiary has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process against the assets of Borrower or any Subsidiary; or the entry of a judgment against Borrower or any Subsidiary; provided,

however, that the occurrence or existence of Liens permitted under and within the limitations set forth in Section 5.3(f) shall not constitute an Event of Default hereunder.

(f) Borrower or any Subsidiary shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Subsidiary shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal

9

---

law relating to bankruptcy reorganization or other relief for debtors is filed or commenced against Borrower or any Subsidiary, or Borrower or any Subsidiary shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Subsidiary shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) There shall exist or occur any event or condition which Bank in good faith and reasonably believes impairs, or is substantially likely to impair, the prospect of payment by Borrower of its obligations under any of the Loan Documents, provided that Bank shall provide written notice to Borrower of the occurrence or existence such event or condition and Borrower shall have 60 days following receipt of such notice in which to cause such event or condition to be abated to Bank's reasonable satisfaction.

(h) The dissolution or liquidation of Borrower; or Borrower, or any of its directors, or stockholders holding in excess of 10% of the outstanding common stock in Borrower, shall take action seeking to effect the dissolution or liquidation of Borrower.

(i) Any change in ownership during the term of this Agreement of an aggregate of fifty percent (50%) or more of the common stock of Borrower in a single or in a series of related transactions.

SECTION 6.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by each Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

## ARTICLE VII MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

10

---

BORROWER: PLX TECHNOLOGY, INC  
390 POTRERO A VENUE  
SUNNYVALE, CA 94086

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION  
PENINSULA RCBO  
400 HAMILTON AVE,  
PALO ALTO, CA 94301

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class a)l'd postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that Borrower may not assign or transfer its interest hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents. In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, [any guarantor hereunder or the business of such guarantor,] or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

11

---

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.11. ARBITRATION.

(a) Arbitration. Upon the demand of any party, any Dispute shall be resolved by binding arbitration in accordance with the terms of this Agreement. A "Dispute" shall mean any action, dispute, claim or controversy of any kind, whether in contract or tort, statutory or common law, legal or equitable, now existing or hereafter arising under or in connection with, or in any way pertaining to, any of the Loan Documents, or any past, present or future extensions of credit and other activities, transactions or obligations of any kind related directly or indirectly to any of the Loan Documents, including without limitation, any of the foregoing arising in connection with the exercise of any self help, ancillary or other remedies pursuant to any of the Loan Documents. Any party may by summary proceedings bring an action in court to compel arbitration of a Dispute. Any party who fails or refuses to submit to arbitration following a lawful demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute.

(b) Governing Rules. Arbitration proceedings shall be administered by the American Arbitration Association ("AAA") or such other administrator as the parties shall mutually agree upon in accordance with the AAA Commercial Arbitration Rules. All Disputes submitted to arbitration shall be resolved in accordance with the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the Loan Documents. The arbitration shall be conducted at a location in California selected by the AAA or other administrator. If there is any inconsistency between the terms hereof and any such rules, the terms and procedures set forth herein shall control. All statutes of limitation applicable to any Dispute shall apply to any arbitration proceeding. All discovery activities shall be expressly limited to matters directly relevant to the Dispute being arbitrated. Judgment upon any award rendered in an arbitration may be entered in any court having jurisdiction; provided however, that nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver; Provisional Remedies, Self-Help and Foreclosure. No provision hereof shall limit the right of any party to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies, including without limitation injunctive relief, sequestration, attachment, garnishment or the appointment of a receiver, from a court of competent jurisdiction before, after or during the

12

---

pendency of any arbitration or other proceeding. The exercise of any such remedy shall not waive the right of any party to compel arbitration or reference hereunder.

(d) Arbitrator Qualifications and Powers; Awards. Arbitrators must be active members of the California State Bar or retired judges of the state or federal judiciary of California, with expertise in the substantive laws applicable to the subject matter of the Dispute. Arbitrators are empowered to resolve Disputes by summary rulings in response to motions filed prior to the final arbitration hearing. Arbitrators (i) shall resolve all Disputes in accordance with the substantive law of the State of California, (ii) may grant any remedy or relief that a court of the State of California could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award, and (iii) shall have the power to award recovery of all costs and fees, to impose sanctions and to take such other actions as they deem necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Any Dispute in which the amount in controversy is \$5,000,000 or less shall be decided by a single arbitrator who shall not render an award of greater than \$5,000,000 (including damages, costs, fees and expenses). By submission to a single arbitrator, each party expressly waives any right or claim to recover more than \$5,000,000. Any Dispute in which the amount in controversy exceeds \$5,000,000 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations.

(e) Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable. If any such Dispute is not submitted to arbitration, the Dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be



specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to *the* AAA's selection procedures. Judgment upon *the* decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(f) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business, by applicable law or regulation, or to the extent necessary to exercise any judicial review rights set forth herein. If more than one agreement for arbitration by or between the parties potentially applies to a Dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the Dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

13

---

IN WITNESS WHEREOF- the parties hereto have caused this Agreement to be executed as of the day and year first written above.

PLX TECHNOLOGY, INC.

By: /s/ Michael J. Salameh

\_\_\_\_\_  
Michael J. Salameh  
President

WELLS FARGO BANK,  
NATIONAL ASSOCIATION

By: /s/ Sherrill Swan

\_\_\_\_\_  
Sherrill Swan  
Vice President

14

---

**SCHEDULE 2.12**

**Subsidiaries**

PLX Technology LTD, a U.K. Corporation

Sebring networks, Inc., a Delaware corporation

15

---

**EXHIBIT A**

**PROMISSORY NOTE**

\$28,500,000.00

Palo Alto, California  
October 25, 2000

FOR VALUE RECEIVED, the undersigned PLX TECHNOLOGY, INC. ("Borrower") promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") at its office at 400 Hamilton Avenue, Palo Alto, California, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Twenty Eight Million Five Hundred Thousand Dollars (\$28,500,000.00), with interest thereon as set forth herein.

**DEFINITIONS:**

As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) "Business Day" means any day except a Saturday, Sunday or any other day on which commercial banks in California are authorized or required by law to close.

(b) "Fixed Rate Term" means a period of 1, 2, 3,6, 9 or 12 months, as designated by Borrower,] during which the entire outstanding principal balance of this Note bears interest determined in relation to LIBOR, with the understanding that (i) the initial Fixed Rate Term shall commence on the date this Note is disbursed, (ii) each successive Fixed Rate Term shall commence automatically, and without notice to or consent from Borrower, on the first Business Day following the date on which the immediately preceding Fixed Rate Term matures, and (iii) if, on the first Business Day of the last Fixed Rate Term applicable hereto the remaining

term of this Note is less than [one (1) month, said Fixed Rate Term shall be in effect only until the scheduled maturity date hereof. If any Fixed Rate Term would end on a day which is not a Business Day, then such Fixed Rate Term shall be extended to the next succeeding Business Day.

(c) "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 of 1 %) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(i) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a Fixed Rate Term for delivery of funds on said date for a period of time approximately equal to the number of days in such Fixed Rate Term and in an amount approximately equal to the principal amount to which such Fixed Rate Term applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

1

(ii) "LIBOR Reserve Percentage" means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable Fixed Rate Term.

(d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate.

#### INTEREST:

(a) Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a fixed rate per annum determined by Bank to be forty-five hundredths of one percent (0.45%) above LIBOR in effect on the first day of each Fixed Rate Term. With respect to each Fixed Rate Term hereunder, Bank is hereby authorized to note the date and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. At the time this Note is disbursed and at the end of each Fixed Rate Term, Borrower shall give Bank notice specifying the length of the applicable Fixed Rate Term. Any such notice may be given by telephone so long as (i) if requested by Bank, Borrower provides to Bank written confirmation thereof not later than three (3) Business Days after such notice is given, and (ii) such notice is given to Bank prior to 10:00 a.m. on the first day of the Fixed Rate Term, or at a later time during any Business Day if Bank, at its sole option but without obligation to do so, accepts Borrower's notice and quotes a fixed rate to Borrower. If Borrower does not immediately accept a fixed rate when quoted by Bank, the quoted rate shall expire and any subsequent LIBOR request from Borrower shall be subject to a redetermination by Bank of the applicable fixed rate. If Bank has not received such notice at the time principal is disbursed hereunder or at the end of any Fixed Rate Term, Borrower shall be deemed to have selected the shortest permitted Fixed Rate Term.

(b) Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to LIBOR to the extent they are not included in the calculation of LIBOR. In determining which of the foregoing are attributable to any LIBOR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

(c) Payment of Interest. Interest accrued on this Note shall be payable on the 6th day of each month, commencing December 6, 2000.

2

(d) Default Interest. From and after the maturity date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of this Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to four percent (4%) above the rate of interest from time to time applicable to this Note.

#### REPAYMENT AND PREPAYMENT:

(a) Repayment. The outstanding principal balance of this Note shall be due and payable in full on November 6, 2005.

(b) Application of Payments. Each payment made on this Note shall be credited first, to any interest then due and second, to the outstanding principal balance hereof.

(c) Prepayment. Borrower may prepay principal on this Note at any time and in the minimum amount of One Hundred Thousand Dollars (\$100,000.00); provided however, that if the outstanding principal balance of this Note is less than said amount, the minimum prepayment amount shall be the entire outstanding principal balance hereof. In consideration of Bank providing this prepayment option to Borrower, or if this Note shall become due and payable at any time prior to the last day of any Fixed Rate Term by acceleration or otherwise, Borrower shall pay to Bank immediately upon demand a fee which is the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Fixed Rate Term matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the Fixed Rate Term applicable thereto.

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Fixed Rate Term at LIBOR in effect on the date of prepayment for new loans made for such term and in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Each Borrower acknowledges that prepayment of such amount may result in Bank incurring additional costs, expenses and/or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses and/or liabilities. Each Borrower, therefore, agrees to pay the above- described prepayment fee and agrees that said amount represents a reasonable estimate of the prepayment costs, expenses and/or liabilities of Bank. If Borrower fails to pay any prepayment fee when due, the amount of such prepayment fee shall thereafter bear interest until paid at a rate per annum two percent (2.00%) above the Prime Rate in effect from time to time (computed on the basis of a 360-day year, actual days elapsed).

#### EVENTS OF DEFAULT:

This Note is made pursuant to and is subject to the terms and conditions of that certain Credit Agreement between Borrower and Bank dated as of October 25, 2000, as amended from

3

---

time to time (the "Credit Agreement"). Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

#### MISCELLANEOUS:

(a) Remedies. Upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by each Borrower. Each Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to any Borrower or any other person or entity.

(b) Obligations Joint and Several. Should more than one person or entity sign this Note as a Borrower, the obligations of each such Borrower shall be joint and several.

(c) Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

PLX TECHNOLOGY, INC.

By: /s/ Micheal J. Salameh

---

Michael J. Salameh  
President

4