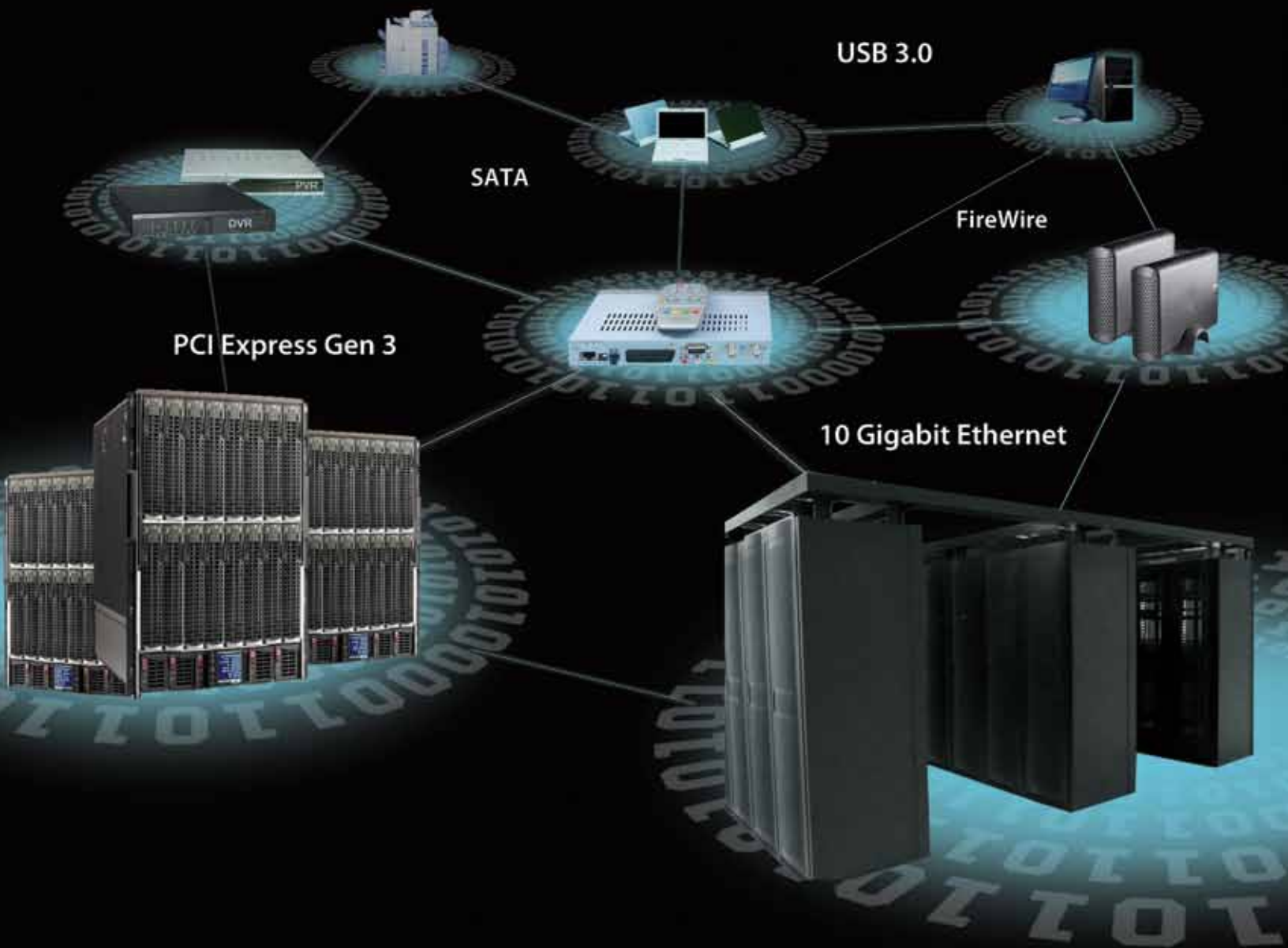


# High-Speed Connectivity Leadership in the Enterprise and the Home



2010 ANNUAL REPORT



To PLX Stakeholders:

Even in the cyclical semiconductor market, it is not often that you experience a year that has 41 percent revenue growth. Starting in early 2009, we had six successive revenue-growth quarters with profits. We met one of our prime objectives, which was to grow faster than the industry. Besides gaining market share, we experienced the typical up-cycle in the semiconductor business in which products become allocated and inventory grows as the entire supply chain over-orders to the true demand. At PLX, we recognized this early and during the second half of 2010 we adjusted our supply chain to get our inventory metrics in line with our customers' true business level. We are positioned well with the appropriate inventory and products that should enable further growth in 2011.

We are no longer your "grandmother's" interconnect bridge company; we are quickly moving to offer impactful system-architecture products for both the enterprise and home. We have made significant strides in establishing PLX as an innovative leader in new, high-speed connectivity solutions.

For the enterprise, PLX delivered the world's first 8Gb/s PCI Express Gen3 silicon. We met our strategic objective of remaining the market leader and being the driver of this important technology transition to Gen3. Our Gen3 products are tightly linked with Intel's release of the Sandy Bridge chipset, which is being widely adopted at major OEMs across the server, networking and storage applications spaces. In 2011, you should continue to see us add system-level functions to our products to drive I/O sharing, virtualization and PCI Express as a fabric for high-performance computing. These are proof points that we are no longer just a bridge company. Major customers have embraced this technology and we are at the heart of their architectural decisions.

In our consumer market segment, 2010 saw us release our first 5Gb/s USB 3.0 products for storage applications. While the technology is compelling, this consumer-driven market has overpromised and under-delivered. The unit volume has not been as large as anticipated, as the Intel chipset does not yet have support for this new standard. We further invested in our third-generation network attached storage (NAS) controller, which was one of the first multi-core ARM processor-based system-on-a chip (SoC) devices available. With this product, we have branched into some adjacent markets by supporting media and home networking platforms. Though our product portfolio in the home-electronics market segment is strong, the consumer storage segment did not meet our expectations in 2010. We underperformed in the ramp of USB 3.0 and did not make up the difference in NAS. It is our challenge to turn this around in 2011. NAS needs to become more mainstream and move to media applications, while USB 3.0 adoption needs to increase to make the home segment successful.

While we have a good growth market in PCI Express, it is not enough to sustain the aspirations we have for the company. We target high-speed interconnect dislocations that have significant system implications. The next major battle that will be fought in the datacenter is the widespread transition of 1G to 10G Ethernet. This will be a large market as there is a significant expansion in datacenter build-outs and performance upgrades to meet the needs of mobile Internet and cloud-based computing. We acquired a differentiated capability and technology when we combined with Teranetics. Combining with the market leader puts us in an excellent position to take advantage of the industry's growing data needs. With the advent of virtualization and cloud computing, bandwidth in the datacenter is paramount to achieving a positive end-user experience at all points of the network. This is going to accelerate adoption of PCI Express Gen3 and 10G Ethernet. We are dead center at the heart of these trends, which are the most significant changes to the datacenter architecture in more than a decade.

Why do we think these trends will drive large growth? The infrastructure to support the requirements of the new mobile Internet-enabled platforms need to support bandwidth at an exponential rate. Data transmission, and not computing power, is the bottleneck to performance. The new mobile computing platforms like iPhone, iPad, and the Android-based products from Samsung, Blackberry, Motorola and others are driving an insatiable need for bandwidth. New behaviors, such as the immediacy of capturing video and posting it online to be shared, drive an even greater need for high-performance connectivity. The exponential number of people with real-time access to the Internet is growing faster than any other platform in the modern computing era. The demand for connection anytime and anyplace is driving staggering growth rates in bandwidth and storage needs.

We made excellent progress on the key financial metrics during 2010. We grew the topline significantly, improved already excellent margins, kept R&D flat (aside from Teranetics) and we were on our way to 10 percent profit before tax prior to the acquisition. We decided to make the investment in this new technology area because we feel we are building a company for the long term. This investment will impact our first half 2011 financials. However, the PLX team proved that it can appropriately manage the financials and drive a profit in a difficult market. Our team is focused on building a sustainable, profitable, growth business. We are aggressively attacking this with an intensity that will allow us to build a business that will reward its shareholders.

2010 was an outstanding year for the development and growth of the company. 2011 will be both exciting and challenging as we rationalize the acquired Ethernet business and do our part to drive market adoption of the technology. We look forward to these challenges as we build a dynamic, new PLX.

Sorry, grandma, if you no longer recognize the company!

Your PLX team leader,

Ralph Schmitt

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

**FORM 10-K**

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 0-25699



**PLX Technology, Inc.**

(Exact name of Registrant as Specified in its Charter)

**Delaware**

**94-3008334**

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification Number)

**870 W. Maude Avenue  
Sunnyvale, California 94085  
(408) 774-9060**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

**Title of Each Class:**

Common Stock, par value \$0.001 per share

**Name of Each Exchange on which Registered**

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock on June 30, 2010, as reported on The NASDAQ Global Market, was \$144,043,032.

The number of shares of common stock outstanding at February 28, 2011 was 44,511,516.

DOCUMENTS INCORPORATED BY REFERENCE  
PART III OF THIS REPORT ON FORM 10-K INCORPORATES INFORMATION BY REFERENCE FROM THE REGISTRANT'S PROXY STATEMENT FOR ITS 2011 ANNUAL MEETING OF STOCKHOLDERS - ITEMS 10, 11, 12, 13 AND 14.

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**PLX Technology, Inc.**

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FOR YEAR ENDED DECEMBER 31, 2010**

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## PART I

### ITEM 1: BUSINESS

#### Overview

PLX Technology, Inc. ("PLX" or the "Company"), designs, develops, manufactures, and sells integrated circuits that perform critical system connectivity functions. These interconnect products are fundamental building blocks for standards-based electronic equipment. The Company markets its products to major customers that sell electronic systems in the enterprise, consumer, server, storage, communications, PC peripheral and embedded markets.

Products based on current serial interconnect technology standards such as PCI Express, USB, SATA, and Ethernet provide capabilities to customers that previous parallel technologies did not. They offer the ability for systems to scale in performance and capabilities, and allow for a standards-based building block approach that was not feasible in the past. As these serial technologies have become mainstream, PLX has been able to offer differentiated products based on these standards that provide scalability and performance at a low cost.

The Company is the market share leader in PCI Express switches and bridges. We recognized the trend towards this serial, switched interconnect technology early, launched products for this market long before our competitors, and have deployed multiple generations of products to serve a general-purpose, horizontal market. In addition to enabling customer differentiation through our product features, the breadth of our product offering is in itself a significant benefit to our customers, since we can serve the complete needs of our customers with cost-effective solutions tailored to specific system requirements. Our long experience with PCI Express connectivity products enables PLX to deliver reliable devices that operate in non-ideal real-world, system environments.

PLX has extended its penetration into the overall enterprise market through the acquisition of Teranetics, Inc., the leading provider of physical layer or PHY semiconductor devices for 10G Ethernet over copper. On October 1, 2010, PLX acquired Teranetics, a privately held fabless provider of high-performance mixed-signal semiconductors. Teranetics, the broadly recognized leader in 10 Gigabit Ethernet over copper physical layer (10GBase-T PHY) technology, delivered the industry's first fully integrated single-chip implementation of single-port and dual-port 10GBase-T PHY silicon. The Company is currently developing its next generation of products, providing a much more cost effective and lower power solution than previously possible. It is expected that these products will become mainstream, growing much more rapidly than the current optical products that currently offer this speed. Given the widespread copper infrastructure for Ethernet in data centers, and the ability of the 10G PHYs to interoperate with the current 1G installed base, we anticipate solid demand for this technology.

Consumer storage has been a part of the Company's focus since 2009, and complements the PLX success in enterprise storage. The Company has brought to market several generations of products that allow storage customers to attach their disk subsystems directly to a computer through USB (DAS), or to attach them through their local area network (NAS) via Ethernet. We identified the shift from parallel to serial hard disk connectivity early, and benefited from this trend to become the leader in high performance consumer storage connectivity. Our products provide the richest variety of connectivity options, including USB, Serial ATA, external Serial ATA, 1394, and Ethernet, and offer capabilities such as RAID and data encryption at industry leading performance levels.

PLX offers a complete solution consisting of semiconductor devices, software development kits, hardware design kits, operating system ports, and firmware solutions that enable added-value features in our products. We differentiate our products by offering higher performance at lower power, by enabling a richer customer experience based on proprietary features that enable system-level customer advantages, and by providing capabilities that enable a customer to get to market more quickly.

The PLX growth strategy has several key components:

- Identify the technology trends and discontinuities that drive high-volume markets and deliver highly differentiated products to that market before the competition;
- Deliver comprehensive solutions, including semiconductor devices, the necessary software and development kits to allow rapid time-to-market and worldwide local technical support;

- Offer added-value features that enable our customers to differentiate their products;
- Focus on adding value at high volume price points;
- Expand through acquisition where a product family or market can leverage our technology or market presence.

PLX is a Delaware corporation established in 1986 with headquarters at 870 W. Maude Avenue, Sunnyvale, California 94085. The telephone number is (408) 774-9060. Additional information about PLX is available on our website at <http://www.plxtech.com>. Information contained in the website is not part of this report.

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports and the Proxy Statement for our Annual Meeting of Stockholders are made available, free of charge, on our website, <http://www.plxtech.com>, as soon as reasonably practicable after the reports have been filed with or furnished to the Securities and Exchange Commission.

## **Industry Background**

The market for industry-standard interconnect has been invigorated by new state-of-the-art serial technologies. Previous parallel technologies, such as PCI, provided basic connectivity, but did not offer the necessary scalability, reliability, cost, and features for complex processing systems. As the subsystems, including the processing engines and end point devices became more powerful, the true bottleneck in the system was not the device and processor speed, but rather how quickly the data could be transferred to and from the different subsystems.

At the same time the cost, complexity, and time-to-market problems of developing robust, high performance interconnect vehicles led to the development of standards that provide the performance and features necessary for high performance systems, but do so at a cost point that can only be achieved through high volume standard products.

These serial technologies enabled, for the first time, the ability to offer high performance, feature-rich computing solutions using off-the-shelf standards-based building blocks. The building block approach has enabled the designers of these systems to bring their products to market more quickly and with a vastly lower cost of development. In addition, the software base that has built up around these standard solutions allow the system designer to focus on their own added value, rather than recreating the basic plumbing necessary to move the data around.

PLX focuses on connecting subsystems together based on high volume, standard connection points. The Company employs both horizontal and vertical market approaches. The Company serves a horizontal market need with its general purpose PCI Express and USB devices, where each product may be used in dozens of different markets and applications. The Company has also expanded over the past several years into several vertical markets such as consumer storage and high performance Ethernet.

PCI Express is the primary interconnection mechanism inside computing systems today. By remaining software compatible with the previous, ubiquitous parallel technology, the new switched serial PCI Express quickly became the connection of choice for the majority of devices in the industry. Since there is a PCI Express port on almost every system building block, the least costly and highest performance approach for connecting the devices together is through this interconnection pathway. To provide appropriate connection between subsystems in complex multi-chip systems, a switch is the most cost-effective approach. The switch is thus a fundamental building block for the system, carrying data to and from the subsystems without impeding the native performance of the underlying devices. For those few end points which do not have native PCI Express connections, PLX also provides bridges to translate the protocol.

The Universal Serial Bus (USB) was designed to replace the expensive, slow, unreliable, and unscalable parallel interconnects of the time, originally to connect PCs with peripherals such as printers and external storage. Its speed has been upgraded continuously since its initial rollout, and USB has become the most popular "box-to-box" interconnect in the industry. USB has become the natural way that users upgrade their system with peripherals, eliminating the need to open the box and add plug-in cards.

Our storage products address the fast growing consumer storage market. The amount of digital data that consumers need to store is increasing exponentially. Trends such as digital photography, digital video, MP3s and the

on-line distribution of high-definition movies are driving increased sales of external storage devices in the consumer market. Corresponding with these trends, demand for data-protection features such as redundant array of inexpensive disks (RAID), automatic back-up, and encryption is also growing.

The Direct Attached Storage (DAS) market consists of products that allow the user to upgrade their storage through the USB connection on their PC. These systems can be configured in a variety of ways. The simplest of such systems consist of single drive upgrades to increase capacity, for backup, or to provide security encryption. By adding multiple drives to the connection, the user can make use of standards such as RAID for higher reliability (by mirroring the information on multiple disks) or higher performance (by reading and writing to multiple disks at once). The disks themselves have made the migration to serial technology along with the rest of the interconnect world, and the SATA (Serial ATA) interface is now the fastest growing opportunity for external interconnect devices.

The Network Attached Storage (NAS) solution is well established in the enterprise market but is still in the early stages for the consumer market. This technology adds storage to the system through the network in either a wired or wireless manner. This allows the data to be saved and retrieved from more than one computer and allows the data to be available from network-ready appliances even when the main computer is not available. Along with basic storage, NAS products offer added-value opportunities by combining subsystems as part of the connected device. This can be straightforward combinations such as a home gateway, which combines multiple subsystems in a single box to reduce cost, power, and space. But this concept can be extended to add features within the NAS box that accelerate multimedia applications or provide sophisticated encryption capabilities.

PLX has recently entered the high growth market for 10G Ethernet over standard copper cables. The same dynamics that are driving the consumer storage market, the explosion in bandwidth necessary to satisfy the digital multimedia revolution, are driving the need for the data center to keep up with the seemingly insatiable appetite for content by end users with a large and growing set of home and mobile appliances. The current infrastructure is largely served by 1G Ethernet, but this has become inadequate as the demand for throughput is growing more rapidly than the ability of the data center to scale effectively.

As with the previous major migration to 1G Ethernet, the early products at the higher speed are served by optical interconnects. However, as copper solutions become available and power-efficient, the flexibility and cost points of the copper solutions, and their ability to upgrade a system while providing backward compatibility with the current infrastructure, cause the copper solutions to dominate. The initial growth phase is starting this year, and is expected to accelerate over the next several years.

The products that PLX develops are the final stage in the data delivery pipeline, where the data is taken from a controller in the largely digital domain, and translated to the analog domain for transmission across the cables that inhabit the enterprise data center. The devices are called PHYs (for physical devices), and are the most difficult to deploy reliably in production in the harsh and unpredictable enterprise environment. A successful product relies not just on solid engineering, where modern design tools and methodologies provide significant assistance in achieving successful operation, but on an intimate knowledge of how actual systems behave in a real world analog environment. The products that PLX offers are the result of three generations of products, and the knowledge that has been gained by deploying actual silicon in customer systems. This knowledge, and the unique design and validation methodologies that it has created, provides a proprietary advantage to the Company.

## **Strategy**

PLX provides standards-based, off-the-shelf interconnect solutions to enable high performance, low cost, added-value features and rapid customer time-to-market. Although the external connections are standard in order to enable high volume markets, the products themselves offer proprietary advantages through innovative technology.

PLX identifies technology trends, and provides products that cater to these trends during the early, high growth phase of the technology market discontinuity. This allows the Company to establish itself as a product leader and has provided a powerful incumbency benefit as the technology became mainstream.

- We recognized the promise of PCI Express in the early days of the standard, and brought to market leadership switches and bridges in 2004, gaining market share at the key customers necessary for success.



We continue to enjoy market share leadership in the PCI Express interconnect market and continue to invest to maintain or grow this share. This included a broad Gen 2 product line roll out in 2007, and we are currently rolling out our newest products based on the Gen 3 specification.

- We identified the move from Parallel ATA to Serial ATA (SATA), and gained an early lead in this high growth market with our DAS product line. We are currently shipping products that conform to the USB 3 specification, dramatically reducing the time it takes to transfer large multimedia data types.
- PLX has introduced its 3<sup>rd</sup> generation of NAS products to the consumer market, building on our System-On-A-Chip (SOC) capability and our strong software and firmware strength to offer leadership features to this early market.
- The discontinuity that is now happening in the data center, with 10G Ethernet over copper displacing the 1G Ethernet systems, was anticipated by Teranetics, a pioneer in the technology and now a part of PLX. Senior members of the Teranetics team were primary authors of the specification, and the Company attained a dominant market share in the 65nm technology node. This places the Company in a powerful position as the next technology node enables mainstream adoption of 10G Ethernet over copper.

PLX focuses on offering leadership features to our customers at a high volume price point.

- We focus on system level performance in all of our products. Since the interconnect has such a large impact on system performance, we identify those areas that might limit overall latency or throughput and enhance them. This is done through advanced silicon design techniques, and also through innovative software drivers that identify where the overhead is in the system.
- We provide low power solutions to our customers, since this has become a major differentiator for total system cost and environmental reasons. PLX offers reduced power through technology choices, and through design techniques that modulate power for sections of the device that are not in use.
- We offer added-value features that enable customer product differentiation. For PCI Express this includes features such as non-transparency for multiprocessor capability, multiple virtual channels for communications backplanes, integrated DMA for higher performance in control planes, and the ability to share I/O virtually. On our storage products, we offer encryption, RAID and we can enable customized features and enhance the performance of existing features through firmware. On our Ethernet products we include a powerful DSP engine that allows our products to operate in a wider variety of environments.
- We focus on providing these capabilities at high volume cost points. We have a full COT (Customer Owned Tooling) capability – where PLX handles all of the design, placement, and layout of the circuits, and we manage the packaging and test pipeline. We deploy our products on mainstream, high volume semiconductor technology process nodes, and use advanced synthesis and layout techniques to provide the best trade-off between features and cost.

PLX provides more than just the semiconductor device. We focus on providing the whole product, and offering support that enables our customers to get to market quickly with a robust high-end product.

- We supply a hardware Rapid Development Kit (RDK) as part of our standard offering. This allows customers to evaluate our products easily, and enables software development and interoperability testing to begin prior to the customer developing their own hardware.
- We provide simulation models to customers that allow them to develop their own devices and verify that they interoperate with our products prior to getting silicon.
- We provide a complete Software Development Kit (SDK) that provides kernel-level drivers, a user-level application programming interface (API), sample code for some of the advanced features, and a state-of-the-art graphical user interface (GUI) that allows customers to easily bring up their system. Support is provided for industry-leading operating systems.
- In addition to these visible features, our products also include in-chip capabilities that allow rapid debug of complex system problems in order to improve time-to-market. This allows high speed signals to be effectively debugged in the field without adding special instrumentation.
- We offer worldwide technical support, with local, direct Field Applications Engineers (FAEs) in North America, Europe, and throughout Asia.

The Company has also enhanced its overall growth through acquisitions that provide synergy with our overall added-value strategy.

On September 23, 2010, we signed a definitive agreement to acquire all of the outstanding shares of capital stock of Teranetics, a privately held fabless provider of 10G Ethernet over copper PHYs. The acquisition closed on October 1, 2010.

Established in 2003, Teranetics is a pioneer in the technology and specifications that enable the signaling for 10G Ethernet over standard copper cabling. The Teranetics team identified early in the development cycle that it was possible to reliably use copper for this use, and drove the specification for this capability. They have deployed three generations of products that conform to the specification, securing market leadership, and were in the process of ramping their 40nm family of devices when they became part of PLX. The quality and performance of their products has enabled them to serve the leaders in their market, including Arista Networks, Cisco, DirecTV, Extreme Networks, and Intel.

This acquisition places PLX as the market leader in 10G Ethernet, expected to grow significantly faster than the overall market over the next several years. The Company is already well penetrated into the enterprise space with our PCI Express switches and bridges, often at the same customers that consume the new 10G Ethernet PHY products. There are major synergies in the design process, technology, sales, marketing, and supply chains. PLX now has a dominant position in the two main interconnect technologies that matter in the enterprise space.

We continue to evaluate our business strategies and may complete additional acquisitions in future periods.

## **Technology**

PLX focuses on providing differentiated products to leadership customers. In order to achieve this, we have developed unique core competencies in the underlying technologies necessary for success.

*Semiconductor Design.* Our engineers have substantial expertise in designing complex, reliable, high performance products. We utilize state-of-the-art EDA tools and techniques for the entire design pipeline, and have developed proprietary verification mechanisms to ensure robust operation prior to committing to silicon. It is relatively straightforward to get a device to operate in normal, error free environments. It is much more challenging to have that device operate predictably and reliably in environments where errors occur in the system, and where unexpected or complex combinations of transactions occur. PLX has built up an industry-leading suite of tests that ensure such reliable operation in real-world customer systems.

In addition to software-based simulation techniques, we have also invested in a flexible hardware-based emulation platform that enables our designers to run real software on a version of our design prior to committing to silicon. This allows our products to operate in more complex system-level environments, where subtle and undocumented behaviors often exist.

PLX has a dedicated team and the appropriate EDA tools to translate the design into the database that is used to fabricate the device. This physical design capability allows the Company to provide a smaller, lower power product, since the engineers who are doing this placement and layout work are part of our staff and work with the design engineers from the start of the project. This capability also allows us to produce a product with higher signal integrity, which enables the device to work in a wider range of noisy environments more predictably.

When we receive our initial sample silicon back from the third-party wafer fabrication facility (fab), we have a dedicated group of engineers to fully validate the product prior to sending it to our broad customer base. As with the pre-silicon verification, this post-silicon phase makes use of our years of product releases to ensure reliable product operation. We have invested in the talent and equipment, and use our extensive proprietary test suites, to fully validate the device. In addition, we have built up a broad interoperability lab, where we exercise the product with a growing number of other components and subsystems to ensure reliable operation in a range of real-world environments.

*System-on-a-Chip Expertise.* Our storage products are integrated, dedicated computer SOCs. We have the verification, emulation, and integration capability to combine these subsystems on a single piece of silicon through tools and expertise that we have developed through many generations of such devices. In addition to being able to allow basic connectivity between different interconnect standards, we focus on providing higher performance than

our competitors by including on-chip acceleration engines, and by understanding how the system level software operates with the hardware in actual systems.

*High Speed DSP Capability.* At the heart of our high performance 10G Ethernet PHY products, there exists a set of special-purpose digital signal processors (DSPs). These dedicated processing engines are continuously acquiring input about the electrical environment in the system and making adjustments in how to best drive and receive the signals necessary for high speed, reliable data transfer. These DSPs are controlled by proprietary firmware that has been developed over three generations of successful products.

*Broad Knowledge of the Enterprise Electrical Environment.* Over the course of three generations of 10G Ethernet products, we have compiled an exhaustive database of cables, subsystems, and end points, and this has been used to improve each generation of Ethernet products. This has allowed us to design the DSPs that control our products such that they can maintain reliable operation over a wide set of environmental conditions, and to recover more quickly when the environment changes. In addition to the theoretical database that has been compiled, the Company has a test and interoperability lab where we can validate our silicon in real world conditions

*Analog Capability- Including SerDes.* The products that we design are based on taking the largely analog signals that are used to drive and receive information in a system and operating on them in the digital domain. This depends upon circuitry that converts the signals from analog to digital and back again. We have developed this capability in order to provide the highest quality conversion while still fitting within the size and power constraints that will drive growth in the market. In addition to the general analog capability that has been developed, we also have the ability to design our own serializer-deserializer or SerDes circuitry. This specialized hardware combines analog and digital circuits that form the foundation of most modern serial interconnections. This high speed SerDes capability enables us to get to market with new interconnect specifications quickly, and in a manner that best balances the trade-offs between performance, size, and power dissipation.

*Software Technology.* We have invested in a complete software development capability. In order to enable our customers to get to market quickly, PLX provides device drivers that support our products for the most popular operating system platforms, as well as API libraries that allow programmers to quickly make use of our products. In order to ensure that our products provide the highest performance possible, we have developed the tools and expertise to understand where the software bottlenecks occur in real-world systems, and our device drivers make use of this knowledge to increase the performance of targeted applications such as multimedia data transfer across a network.

*Real-World Debug Capability.* Our products have proprietary hardware features that allow complex problems to be solved in the field without special instrumentation, and performance monitoring hardware that makes visible important system performance metrics. We include software as part of our normal release that takes these hardware features and allows them to be easily deployed through a modern GUI interface. We also enable the programmer to view and change the registers in our device quickly and easy – and even access an on-line databook explanation of the register directly - with our industry-leading PLXMon application.

## **Products**

Our products consist of interconnect semiconductor products, fully supported by the software and hardware kits that enable our customers to get to market quickly with robust, differentiated products.

*PCI Express Switches.* Since PCI Express is a point-to-point serial interconnect standard, it requires a switch to connect a single PCI Express port from a processor or chipset to multiple end-points. Examples of applications include fan-out in servers and storage systems, dual graphics in gaming and workstation systems, control planes in networking and communications systems and backplanes in embedded and industrial equipment. PLX switches allow aggregation of multi-channel Gigabit Ethernet, Fibre Channel, graphics and SAS cards to the host. PLX switch products are offered in various configurations as requirements vary from one application to the next. PCI Express switches have become a basic building block in systems being designed today using this standard. PLX started with the Gen 1 family of PCI Express at 2.5 Gigabits per second in 2004, followed by Gen 2 products in late 2007, where the data rate has doubled to 5.0 Gigabits per second. We are currently engaged with leading customers for our Gen 3 PCI Express products, supporting 8.0 Gigabits per second.

*10G Ethernet over Copper PHYs.* The PHY (physical) devices attach to Ethernet controllers and allow the signal to interoperate reliably with other such devices over standard Ethernet cable over distances that can span more than 100 meters. The products are backward compatible with the current 1G standard, and allow systems to be deployed that provide a seamless migration from the slower connections to the faster ones. These connections form the backbone of the modern data center, and are designed into systems such as network interface cards, blades, or as part of a system fabric. The PLX products can be purchased as single, dual, and quad devices, depending upon the density and price points of the application. In addition, PLX offers licenses to our industry leading IP (intellectual property) as building blocks for highly integrated system solutions.

PLX products are able to send and receive data reliably over longer distances than our competitors, and to do so even as the electrical environment changes abruptly due to the sophisticated DSPs that are constantly monitoring and tuning the device. Our products are also less sensitive than our competitors to the electromagnetic interference (EMI) that can cause unreliable operation in the harsh enterprise data center environment.

*Direct Attached Storage (DAS).* DAS devices are System-on-a-Chip (SOC) products that allow external storage to be easily connected to a PC through either a USB, 1394, or external Serial ATA connection. PLX products offer the widest range of connection possibilities, and the most complete feature set, including single, dual, and quad hard disk connection, RAID, and encryption. The PLX devices have industry leading performance across all interfaces. Our current products support the new USB 3 standard.

*Network Attached Storage (NAS).* NAS products provide storage that attaches to a Local Area Network (LAN). PLX NAS products are aimed at the consumer market, and are SOC devices that combine Ethernet, USB, PCI Express and SATA ports with other standard interfaces necessary to complete a state-of-the-art network appliance. PLX products include a PCI interface to easily create complete subsystems, a DDR DRAM interface, and on-chip capabilities such as TCP off-load, RAID, and encryption. These basic building blocks are enabled with high performance firmware that runs on a powerful, low power ARM processor.

*PCI Bridges.* PLX offers a range of general purpose bridges that translate and extend the PCI bus. These products offer a bridge between the PCI and a variety of other serial and parallel general purpose interfaces. Our PCI-to-PCI bridges are chips that increase the number of peripheral devices that can be included in a microprocessor-based system. PLX's bridge product line spans the entire PCI range, from 32-bit 33MHz through 64-bit 66MHz, and includes 133MHz PCI-X devices.

*USB Interface Chips.* USB interface chips are used by computer peripherals to connect to a PC through an external cabled connection. The current mainstream version of this spec, called USB 2.0, can be found today on devices like multi-function printers, DVD camcorders, portable media players, portable navigation systems, digital cameras, PDAs and hard disks. Our USB interface chips offer connection to both PCI or to a generic interface, providing a simple connection that offers high performance. We are in development of products using USB 3.0 which offers 5.0 Gigabit per second transfers.

*PCI Express Bridges.* PCI Express Bridges enable conventional PCI products (32-bit/33 MHz, 32-bit/66 MHz and even 64-bit/133 MHz PCI-X) to be upgraded for use in new PCI Express systems. This allows users to quickly bring a new product to market. Applications using these bridge devices include servers, storage host bus adapters, graphics, TV tuners and security systems. The reverse bridging feature also allows users to bridge backwards allowing the latest PCI Express based powerful CPUs/Graphics processors to still service and support the legacy PCI and PCI-X market. We also offer bridges that translate PCI Express to general purpose serial and parallel ports.

## **Customers**

We supply our products to the leading companies in the server, enterprise and consumer storage, communications, pc peripheral, consumer and embedded markets. More than 1,000 electronic equipment manufacturers incorporate our semiconductor devices in their systems. Since the products that we design and sell have innovative features, and since there is normally a software impact to the vendor choice, the customer design team typically selects the source hardware and software components early in the design cycle. Generally, the system will incorporate these same components throughout its product life because changes require an expensive re-engineering effort. Therefore, when our products are designed into a system, they are likely to be used in that system throughout its production life.

## **Competition**

Competition in the semiconductor industry is intense. If our target markets continue to grow, the number of competitors may increase significantly. In addition, new semiconductor technologies may lead to new products that can perform similar functions as our products.

We believe that the principal factors of competition in our business include functionality, product performance, price, product innovation, availability of development tools, customer service and reliability. We believe that we compete favorably with respect to each of these factors. We differentiate our products from those of our competitors by incorporating innovative features that allow our customers to build systems based on industry standards that provide more features, and higher performance. Furthermore, in general, our software and hardware development tools are more comprehensive than competing solutions.

Competition in the various markets we serve comes from companies of different sizes, many of which are significantly larger and have greater financial and other resources. Our principal products compete with standard products from companies such as Aquantia, ASMedia, Broadcom, Cavium, Cortina, Cypress Semiconductor, Genesys Logic, Gennum, IDT, Initio, Intel, JMicron, LucidPoint, Marvell, MosChip, NEC, Pericom Semiconductor, NXP Semiconductor, Renesas, Solarflare, and Texas Instruments.

In addition, two alternative devices can perform some or all of the functions of our devices. The first is the Application Specific Integrated Circuit, or ASIC. With the ASIC approach, a customer creates a custom semiconductor device for a particular application. Because the customer buys the ASIC directly from the semiconductor foundry, this approach may lead to lower unit production costs. However, this approach entails a large initial time and resource investment in developing the custom device. The second alternative device is the Field Programmable Gate Array, or FPGA. The FPGA is a semiconductor device whose logic function can be programmed by the system manufacturer. This requires less design effort and time than the ASIC approach. However, because of the additional circuitry required to enable the device to be programmed, this approach typically entails higher unit production costs which can be prohibitive compared to ASICs or standard semiconductor devices. Nevertheless, FPGA prices have decreased steadily and in many cases are competitive with prices for standard semiconductor devices. Accordingly, we also experience competition from leading ASIC suppliers, including Fujitsu, IBM, LSI Logic, NEC, and Toshiba as well as from FPGA suppliers, including Actel, Altera, Atmel, Lattice, QuickLogic and Xilinx. Many of these competitors are large companies that have significantly greater financial, technical, marketing and other resources than PLX.

## **Sales, Marketing and Technical Support**

Our sales and marketing strategy is to achieve design wins at leading systems-companies in high-growth market segments. We market and sell our products in the United States through a combination of direct regional sales managers, a network of independent manufacturers' representatives and distributors.

Outside the United States, we have engaged a team of manufacturers' representatives, stocking representatives and distributors to sell and market our products. Our international network includes representatives in Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Israel, Italy, Japan, Korea, Norway, People's Republic of China, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, The Netherlands and the United Kingdom. We maintain a sales liaison office in the United Kingdom to service customers in Europe and the Middle East. We also maintain sales liaison offices in Korea, Taiwan, and China to service customers in Korea, Southeast Asia and The People's Republic of China. Finally, we maintain a sales liaison office in Japan to service customers in Japan.

Sales in North America represented 18%, 18% and 31%, of net revenues for 2010, 2009 and 2008, respectively. All worldwide sales to date have been denominated in U.S. dollars. We have one operating segment, the sale of semiconductor devices. Additional segment reporting information is included in Note 14 to the consolidated financial statements in this form 10-K.

Net revenues through distributors accounted for approximately 93%, 89% and 80% of our net revenues for 2010, 2009 and 2008, respectively. Revenues related to sales through distributors are expected to continue to account for a

large portion of our total revenues. See "Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results - A Large Portion of Our Revenues Is Derived from Sales to Third-Party Distributors Who May Terminate Their Relationships with Us at Any Time" in this Form 10-K.

There were no direct end customers that accounted for more than 10% of net revenues. Sales to the following distributors accounted for 10% or more of net revenues:

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Excelpoint Systems Pte Ltd.....	27%	25%	29%
Avnet, Inc.....	22%	12%	12%
Answer Technology, Inc.....	17%	12%	13%
Promate Electronics Co., Ltd.....	*%	15%	-

\* Less than 10%

Technical support to customers provided under warranty is provided through field and factory applications engineers, technical marketing personnel and, if necessary, product design engineers. Local field support is provided in person, email, Internet or by telephone. We also use our website to provide product documentation and technical support information. We believe that providing customers with comprehensive product support is critical to remaining competitive in the markets we serve. In addition, our close contact with customer design engineers provides valuable input into existing product enhancements and next generation product specifications.

### **Research and Development**

Our future success will depend to a large extent on our ability to rapidly develop and introduce new products and enhancements to our existing products that meet emerging industry standards and satisfy changing customer requirements. We have made and expect to continue to make substantial investments in research and development and to participate in the development of new and existing industry standards.

The majority of our engineers are involved in semiconductor device development, with the remaining engineers working on software and reference design hardware. Before development of a new product commences, our marketing managers work closely with research and development engineers and customers to develop a comprehensive requirements specification. In addition, our marketing managers and engineers review the applicable industry standards and incorporate desired changes into the new product specification. After the product is designed and commercially available, our engineers continue to work with various customers on specific design issues to understand emerging requirements that may be incorporated into future product generations or product upgrades.

Our research and development expenditures totaled \$35.8 million, \$31.4 million and \$27.1 million in 2010, 2009 and 2008, respectively. Research and development expenses consist primarily of tape-out related costs at the independent foundries, salaries and related costs, including share-based compensation and expenses for outside engineering consultants. We perform our research and development activities at our headquarters in Sunnyvale, California, San Jose, California, Abingdon, United Kingdom, and Bangalore, India. We periodically seek 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. See "Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results - We Could Lose Key Personnel Due to Competitive Market Conditions and Attrition" in this Form 10-K.

Our future performance depends on a number of factors, including our ability to identify emerging technology trends in our target markets, define and develop competitive new products in a timely manner, enhance existing products to differentiate them from those of competitors and bring products to market at competitive prices. The technical innovations and product development required for us to remain competitive are inherently complex and require long development cycles. We typically must incur substantial research and development costs before the technical feasibility and commercial viability of a product can be ascertained. We must also continue to make significant investments in research and development in order to continually enhance the performance and

functionality of our products to keep pace with competitive products and customer demands for improved performance. Revenues from future products or product enhancements may not be sufficient to recover the development costs associated with these products or enhancements. The failure to successfully develop new products on a timely basis could have a material adverse effect on our business.

## **Manufacturing**

We have adopted a "fabless" semiconductor manufacturing model and outsource all of our semiconductor manufacturing, assembly and testing. This approach allows us to focus our resources on the design, development and marketing of products and significantly reduces our capital requirements. Currently, our products are primarily being fabricated, assembled or tested by Advanced Micro Devices, Advanced Semiconductor Engineering, Ardentec, Faraday, Fujitsu, First Semiconductor Technology, ISE Labs, LSI, MagnaChip, Open-Silicon, Renesas, Samsung, Seiko-Epson Semiconductor, STATS ChipPAC Ltd., Taiwan Semiconductor Manufacturing Corporation, UMC and United Test and Assembly Center Ltd. These manufacturers assemble and test our products based on the design and test specifications we have provided. A small number of our products are currently manufactured by more than one supplier, and we expect a substantial amount of our products to be single-source manufactured for the foreseeable future. We must place orders two to four months in advance of expected delivery of finished goods. We maintain inventory levels based on current lead times from foundries plus safety stock to account for unanticipated interruption in supply and fluctuations in demand. Our inventory comprises a large portion of our working capital. As a result, we have limited ability to react to fluctuations in demand for our products which could cause us to have an excess or a shortage of inventory of a particular product and reduced product revenues.

In the event of a loss of, or a decision by us to change, a key supplier or foundry, qualifying a new supplier or foundry and commencing volume production would likely involve delay and expenses, resulting in lost revenues, reduced operating margins and possible detriment to customer relationships. Since we place our orders on a purchase order basis and do not have a long-term volume purchase agreement with any of our existing suppliers, any of these suppliers may allocate capacity to the production of other products while reducing deliveries to us on short notice. While we believe we currently have good relationships with our foundries and adequate capacity to support our current sales levels, there can be no assurance that adequate foundry capacity will be available in the future on acceptable terms, if at all. See "Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results - Our Independent Manufacturers May Not Be Able To Meet Our Manufacturing Requirements" in this Form 10-K.

Our semiconductor devices are currently fabricated using a range of semiconductor manufacturing processes. We must continuously develop our devices using more advanced processes to remain competitive on a cost and performance basis. Migrating to new technologies is a challenging task requiring new design skills, methods and tools. We believe that the transition of our products to smaller geometries will be important for us to remain competitive. Our business could be materially adversely affected if any transition to new processes is delayed or inefficiently implemented. See "Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results - Defects in Our Products Could Increase Our Costs and Delay Our Product Shipments" in this Form 10-K.

## **Intellectual Property**

Our future success and competitive position depend upon our ability to obtain and maintain the proprietary technology used in our principal products. Most of our current products include implementations of the PCI, PCI Express, Serial ATA, Ethernet, 1394 and USB industry standards, which are available to other companies. We hold 45 patents on switching, interconnect and storage technologies that will expire at various dates beginning in 2014 through 2028. In addition, through our acquisition of Teranetics, we hold 17 other patents that will expire at various dates beginning 2025 through 2026. In the future, we plan to seek patent protection when we believe it is necessary.

Our existing or future patents may be invalidated, circumvented, challenged or licensed to others. The rights granted 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 this protection. We cannot be sure that steps taken by us to protect our technology will prevent misappropriation of our technology.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights or positions. This often results in significant, often protracted and expensive litigation. There is no intellectual property litigation currently pending against us. However, 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. If it is necessary or desirable, we may seek licenses under these third party patents or intellectual property rights. However, we cannot be sure that licenses will be offered or that the terms of any offered licenses will be acceptable to us.

The failure to obtain a license from a third party for technology used by us could cause us to incur substantial liabilities and to suspend the manufacture or shipment of products or our use of processes requiring the technology. Litigation could result in significant expenses to us, adversely affect sales of the challenged product or technology and divert the efforts of our technical and management personnel, whether or not the litigation is determined in our favor. In the event of an adverse result in any litigation, we could be required to pay substantial damages, cease the manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, and discontinue the use of processes requiring the infringing technology or obtain licenses to the infringing technology. In addition, we may not be successful in developing or acquiring the necessary licenses 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. See "Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results - Our Limited Ability to Protect Our Intellectual Property and Proprietary Rights Could Adversely Affect Our Competitive Position" in this Form 10-K.

### **Employees**

As of December 31, 2010, we employed a total of 260 full-time employees, including 165 engaged in research and development, 61 engaged in sales and marketing, 3 engaged in manufacturing operations and 31 engaged in general administration activities. We also from time to time employ part-time employees and hire contractors. Our employees are not represented by any collective bargaining agreement, and we have never experienced a work stoppage. We believe that our employee relations are good.

### **Backlog**

PLX's backlog at any particular date is not necessarily indicative of actual sales for any succeeding period. This results from expected changes in product delivery schedules and cancellation of product orders. In addition, PLX's sales will often reflect orders shipped in the same quarter that they are received.

## **ITEM 1A: RISK FACTORS**

### **FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS**

If a company's operating results are below the expectation of public market analysts or investors, then the market price of its common stock could decline. Many factors that can affect a company's quarterly and annual results are difficult to control or predict. Factors which can affect the operating results of a semiconductor company such as PLX are described below.

Risks and uncertainties that could cause actual results to differ materially from those described herein include the following:

#### **Global Economic Conditions May Continue to Have an Adverse Effect on Our Businesses and Results of Operations**

In late 2008 and 2009, the severe tightening of the credit markets, turmoil in the financial markets, and weakening global economy contributed to slowdowns in the industries in which we operate. Economic uncertainty exacerbated negative trends in spending and caused certain customers to push out, cancel, or refrain from placing orders, which reduced revenue. We have seen market conditions improve in the second half of 2009 and throughout most of 2010; however, we are seeing the rate of growth has slowed as inventory levels have balanced themselves out. Difficulties in obtaining capital and uncertain market conditions may lead to the inability of some customers to obtain affordable financing, resulting in lower sales. Customers with liquidity issues may lead to additional bad debt



expense. These conditions may also similarly affect key suppliers, which could affect their ability to deliver parts and result in delays in the availability of product. Further, these conditions and uncertainty about future economic conditions make it challenging for us to forecast our operating results, make business decisions, and identify the risks that may affect our business, financial condition and results of operations. In addition, we maintain an investment portfolio that is subject to general credit, liquidity, market and interest rate risks that may be exacerbated by deteriorating financial market conditions and, as a result, the value and liquidity of the investment portfolio could be negatively impacted and lead to impairment. If the current improving economic conditions are not sustained or begin to deteriorate again, or if we are not able to timely and appropriately adapt to changes resulting from the difficult macroeconomic environment, our business, financial condition or results of operations may be materially and adversely affected.

### **Our Operating 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 under 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:

- the timing of significant orders, order cancellations and reschedulings;
- the loss of one or more significant customers;
- introduction of products and technologies by our competitors;
- the availability of production capacity at the fabrication facilities that manufacture our products;
- our significant customers could lose market share that may affect our business;
- integration of our product functionality into our customers' products;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- unexpected issues that may arise with devices in production;
- shifts in our product mix toward lower margin products;
- changes in our pricing policies or those of our competitors or suppliers, including decreases in unit average selling prices of our products;
- the availability and cost of materials to our suppliers;
- general macroeconomic conditions; and
- political climate.

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.

### **The Cyclical Nature Of The Semiconductor Industry May Lead To Significant Variances In The Demand For Our Products**

In the past, the semiconductor industry has been characterized by significant downturns and wide fluctuations in supply and demand. Also, the industry has experienced significant fluctuations in anticipation of changes in general economic conditions. This cyclicity 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 A Substantial Portion Of Our Net Revenues Are Generated By A Small Number Of Large Customers, If Any Of These Customers Delays Or Reduces Its Orders, Our Net Revenues And Earnings Will Be Harmed**

Historically, a relatively small number of customers have accounted for a significant portion of our net revenues

in any particular period. See Note 5 of the consolidated financial statements for customer concentrations.

We have no long-term volume purchase commitments from any of our significant customers. We cannot be certain that our current customers will continue to place orders with us, that orders by existing customers will continue at the levels of previous periods or that we will be able to obtain orders from new customers. In addition, some of our customers supply products to end-market purchasers and any of these end-market purchasers could choose to reduce or eliminate orders for our customers' products. This would in turn lower our customers' orders for our products.

We anticipate that sales of our products to a relatively small number of customers will continue to account for a significant portion of our net revenues. Due to these factors, the following have in the past and may in the future reduce our net revenues or earnings:

- the reduction, delay or cancellation of orders from one or more of our significant customers;
- the selection of competing products or in-house design by one or more of our current customers;
- the loss of one or more of our current customers; or
- a failure of one or more of our current customers to pay our invoices.

### **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 microprocessor-based 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. 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. See "Item 1, Business - Competition" and "-Products" in this Form 10-K.

### **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 located in China, Japan, Korea, Malaysia, Singapore and Taiwan, that can produce semiconductors which meet our needs. However, as the semiconductor industry continues to progress towards 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, delay our shipments or may increase our costs.

In the first half of 2010 and into the third quarter, increasing product demand throughout the semiconductor industry challenged the industry's supply chain and we were not able to procure an adequate supply of product to fulfill our customers' demand for our products. Toward the end of the third quarter, the constraints were loosening and returning to more standard lead-times.

Only a small number of our semiconductor devices are 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 our products 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.

### **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 microprocessor-based systems markets including networking and telecommunications, enterprise and consumer storage, imaging and industrial applications. The size and rate of growth of these microprocessor-based 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 microprocessor-based systems may not grow.

### **Our Lengthy 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 a 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.

### **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 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 microprocessor-based systems or to develop sufficient new products to replace products that have become obsolete, our business would be materially adversely affected.

### **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 could make it more difficult to retain our existing customers and to attract new customers. Moreover, product errors, defects or bugs could 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 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 other products, adoption of relevant interconnect standards, perceived advantages over competing products and the level of customer service available to support such products. 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 revenues 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.

### **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. Sales through distributors accounted for approximately 93%, 89% and 80% of our net revenues in 2010, 2009 and 2008, respectively. 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, as we may not be successful in servicing our customers directly or through manufacturers' representatives.

### **The Demand For Our Products Depends Upon Our Ability To Support Evolving Industry Standards**

A majority of our revenues are derived from sales of products, which rely on the PCI Express, PCI, PCI-X, Serial ATA, Ethernet, 1394 and USB standards. If markets move away from these standards 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, these standards are continuously evolving, and we may not be able to modify our products to address new specifications. Any of these events would have a material adverse effect on our business.

## **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. Investors should understand 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.

## **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.

## **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 microprocessor-based 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 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 there under 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 third parties.

On February 2, 2010, Internet Machines LLC ("Internet Machines") filed a complaint, which has been served on PLX, entitled Internet Machines LLC v. Alienware Corporation, et al., in the United States District Court for the Eastern District of Texas, alleging infringement by PLX and the other defendants in the lawsuit of two patents held by Internet Machines. The complaint in the lawsuit seeks unspecified compensatory damages, treble damages and attorneys' fees, as well as injunctive relief against further infringement of the Internet Machines patents.

On May 14, 2010, we filed our answer to the live complaint and asserted counterclaims, seeking declaratory judgments of non-infringement and invalidity of the patents-in-suit. On Wednesday, October 13, 2010, we filed a motion to transfer venue of this action to the Northern District of California, but the Court has not yet ruled on that motion. Further, on December 6, 2010, the Court held a case-management conference and subsequently entered a scheduling order in this matter, setting trial for February 2012. While it is not possible to determine the outcome of that motion to transfer or the ultimate outcome of this litigation, we believe that we have meritorious defenses with respect to the claims asserted against us and we intend to vigorously defend our position. We believe that any ultimate liability in this litigation will not have a material impact on our financial position or results of operations.

On October 17, 2010, Internet Machines LLC ("Internet Machines") filed a separate complaint, which has been served on PLX, entitled Internet Machines LLC v. ASUS Computer International, et al., again in the United States District Court for the Eastern District of Texas, alleging infringement by PLX and the other defendants in the lawsuit of three patents held by Internet Machines. The complaint in the lawsuit seeks unspecified compensatory damages, treble damages and attorneys' fees, as well as injunctive relief against further infringement of the Internet Machines patents.

On December 28, 2010, we filed our answer to the live complaint and asserted counterclaims, seeking declaratory judgments of non-infringement and invalidity of the patents-in-suit. The Court has not yet set this matter for a case-management conference and no trial date has been set. While it is not possible to determine the outcome of that motion to transfer or the ultimate outcome of this litigation, we believe that we have meritorious defenses with respect to the claims asserted against us and we intend to vigorously defend our position. We believe that any ultimate liability in this litigation will not have a material impact on our financial position or results of operations.

During the course of the lawsuits, we may incur costs associated with defending or prosecuting these matters. 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.

**If We Do Not Successfully Integrate Teranetics With PLX, We May Not Achieve Our Anticipated Synergies And Our Financial Condition Could Be Adversely Affected, and Sales by Former Teranetics Shareholders of PLX Common Stock May Adversely Affect our Common Stock Price**

On October 1, 2010, we completed the acquisition of Teranetics, Inc. ("Teranetics"), a privately held fabless provider of high-performance mixed-signal semiconductors. Although we have not yet encountered significant difficulties with the integration of Teranetics' operations, there can be no assurance that we will not encounter substantial difficulties during the completion of the integration. A substantial delay in the integration of Teranetics could result in a delay or failure to achieve the anticipated synergies, which could adversely impact our results of operations. The possible difficulties of combining the operations of the companies include, but are not limited to:

- the integration and consolidation of corporate and administrative infrastructures, including computer information systems;
- the integration of the sales force and customer base;
- possible inconsistencies in controls, policies and procedures and business cultures;
- the retention of key employees;
- the possible diversion of management's attention from ongoing business concerns; and

- the possibility of costs or inefficiencies associated with the integration of the operations of the combined company.

Our failure to be successful in addressing these matters could cause us to fail to realize the anticipated benefits of this acquisition and could have an adverse impact on our results of operations.

Pursuant to the merger agreement for the acquisition of Teranetics, we issued 7,399,980 shares of our common stock as part of the consideration for the acquisition. The merger agreement required us to file a registration statement on Form S-3 with the SEC to cover the resale of such shares of PLX common stock by the former shareholders of Teranetics who received the shares pursuant to the acquisition. Commencing on January 7, 2011, when the SEC declared this registration statement to be effective, the holders of such PLX shares are able to sell such shares into the public market. The sales of such shares may adversely affect the trading price of our common stock.

### **Acquisitions Could Adversely Affect Our Financial Condition And Could Expose Us To Unanticipated Liabilities**

As part of our business strategy, we expect to continue to review acquisition prospects that would complement our existing product offerings, improve market coverage or enhance our technological capabilities. Potential future acquisitions could result in any or all of the following:

- potentially dilutive issuances of equity securities;
- large acquisition-related write-offs;
- potential patent and trademark infringement claims against the acquired company;
- the incurrence of debt and contingent liabilities or amortization expenses related to other intangible assets;
- difficulties in the assimilation of operations, personnel, technologies, products and the information systems of the acquired companies;
- the incurrence of additional operating losses and expenses of companies we may acquire;
- possible delay or failure to achieve expected synergies;
- diversion of management's attention from other business concerns;
- risks of entering geographic and business markets in which we have no or limited prior experience; and
- potential loss of key employees.

### **Because We Sell Our Products To Customers Outside Of The United States And Because Our Products Are Incorporated With Products Of Others That Are Sold Outside Of The United States We Face Foreign Business, Political And Economic Risks**

Sales outside of the United States accounted for 82%, 84% and 77% of our net revenues in 2010, 2009 and 2008, respectively. Sales outside of the United States may fluctuate in future periods and may continue to account for a large portion of our revenues. In addition, equipment manufacturers who incorporate our products into their products sell their products outside of the United States, thereby exposing us indirectly to foreign risks. Further, most of our semiconductor products are manufactured outside of the United States. 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, which could lead to a reduction in sales and profitability in that country.

### **We May Be Required To Record A Significant Charge To Earnings If Our Goodwill, Amortizable Intangible Assets Or Other Long Lived Asset Become Impaired**

Under generally accepted accounting principles, we review our amortizable intangible and long lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually during the fourth quarter and between annual tests in certain circumstances. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill, amortizable intangible assets or other long lived assets may not be recoverable, include a persistent decline in stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. As a result of the goodwill impairment testing in the fourth quarter of 2008 we fully impaired the goodwill and remaining intangible assets associated with the Sebring, HiNT Corporation and NetChip Technology, Inc. acquisitions for a total of \$35.5 million. During this review we also recorded an impairment charge of \$18.8 million due to the decline in the value of our Sunnyvale headquarters building. In the fourth quarter of 2010, we tested the goodwill acquired and determined there was no impairment. We have recorded additional goodwill and other intangible assets related to the acquisitions of Oxford and Teranetics, and may do so in connection with any potential future acquisitions. We may be required to record a significant charge in our financial statements during the period in which any additional impairment of our goodwill, amortizable intangible assets or other long lived assets is determined, which would adversely impact our results of operations.

### **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 a substantial amount 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.

As part of our anti-takeover devices, our Board of Directors has the ability 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. Consistent with Delaware law, our Board of Directors may adopt additional anti-takeover measures in the future.



## **ITEM 1B: UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2: PROPERTIES**

We own one facility in Sunnyvale, California, which has approximately 55,000 square feet. This facility comprises our headquarters and includes our research and development, sales and marketing and administration departments. Internationally, we lease sales offices in China, India, Japan, Korea, Taiwan and the United Kingdom. In October 2010, associated with the acquisition of Teranetics, we assumed additional building leases in San Jose, California and Bangalore, India. These leases comprise approximately 52,696 square feet and have terms expiring in or prior to June 2015. We believe that our current facilities will be adequate through 2011.

## **ITEM 3: LEGAL PROCEEDINGS**

On February 2, 2010, Internet Machines LLC ("Internet Machines") filed a complaint, which has been served on PLX, entitled Internet Machines LLC v. Alienware Corporation, et al., in the United States District Court for the Eastern District of Texas, alleging infringement by PLX and the other defendants in the lawsuit of two patents held by Internet Machines. The complaint in the lawsuit seeks unspecified compensatory damages, treble damages and attorneys' fees, as well as injunctive relief against further infringement of the Internet Machines patents.

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## PART II

### ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on The NASDAQ Global Market and has been quoted on The NASDAQ Global Market under the symbol "PLXT" since its initial public offering on April 5, 1999. The following table sets forth, for the periods indicated, the range of quarterly high and low sales price for our common stock as reported on The NASDAQ Global Market:

<b>2010</b>	<b>High</b>	<b>Low</b>
First Quarter.....	\$ 6.10	\$ 3.25
Second Quarter.....	6.70	3.73
Third Quarter.....	4.70	3.22
Fourth Quarter.....	4.32	3.00

<b>2009</b>	<b>High</b>	<b>Low</b>
First Quarter.....	\$ 2.79	\$ 1.45
Second Quarter.....	4.40	2.21
Third Quarter.....	4.12	2.88
Fourth Quarter.....	3.73	2.99

As of February 28, 2011, there were approximately 142 holders of record of our common stock and as of that date, the last reported sales price of our common stock was \$3.76.

We have never paid cash dividends on our common stock. We currently intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future. Any future declaration and payment of dividends will be subject to the discretion of our Board of Directors, will be subject to applicable law and will depend upon our results of operations, earnings, financial condition, contractual limitations, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

#### Securities Authorized For Issuance Under Equity Compensation Plans

This information is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the heading "Equity Compensation Plan Information."

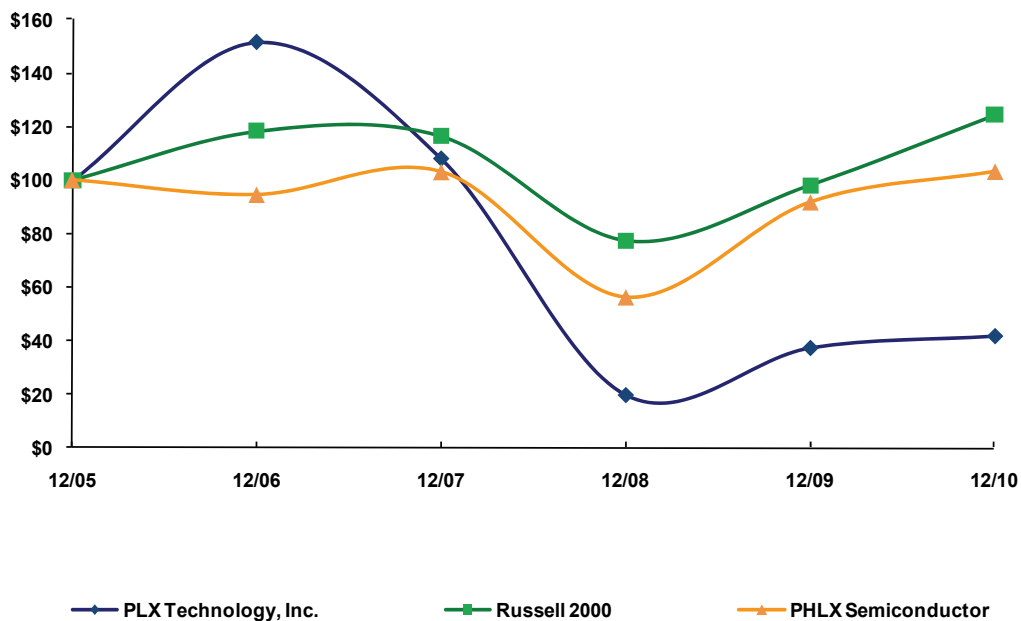
#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In September 2002, our Board of Directors authorized the repurchase of up to 2,000,000 shares of common stock. In July 2008, our Board of Directors authorized an additional 2,000,000 shares under the repurchase program. At the discretion of the management, we can repurchase the shares from time to time in the open market or in privately negotiated transactions. Approximately 774,000 shares were repurchased for approximately \$1.9 million in cash in 2002 and 2003. We did not repurchase any additional shares from January 1, 2004 through December 31, 2007. In 2008, we repurchased 956,000 shares for approximately \$6.5 million. We did not purchase any additional shares in 2009 and 2010. As of December 31, 2010, under the Board's repurchase authorization, we had the capacity to repurchase an additional 2,269,000 shares.

## Performance Graph

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among PLX Technology, Inc., the Russell 2000 Index  
and the PHLX Semiconductor Index



\*\$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

	Cumulative Total Return					
	12/05	12/06	12/07	12/08	12/09	12/10
PLX Technology, Inc.	100.00	151.63	108.14	20.00	37.56	41.98
Russell 2000	100.00	118.37	116.51	77.15	98.11	124.46
Philadelphia Semiconductor	100.00	94.47	102.99	56.15	91.67	103.11

The graph and other information furnished under the above caption "Performance Graph" in this Part II, Item 5 of this Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of the Exchange Act, as amended.

## ITEM 6: SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,				
	2010 (1)	2009 (2)	2008 (3)	2007	2006 (5)
Consolidated Statement of Operations Data:					
Net Revenues.....	\$ 116,560	\$ 82,832	\$ 81,068	\$ 81,734	\$ 81,425
Gross Profit.....	68,100	46,932	48,282	49,525	47,630
Operating Income (Loss).....	(2,912)	(15,490)	(57,947)	(643)	1,715
Net Income (Loss).....	(3,289)	(18,802)	(56,530)	1,174	3,006
Basic Net Income (Loss) Per Share.....	\$ (0.08)	\$ (0.53)	\$ (2.00)	\$ 0.04	\$ 0.11
Shares Used to Compute Basic Per Share Amounts.....	38,942	35,653	28,203	28,724	28,177
Diluted Net Income (Loss) Per Share.....	\$ (0.08)	\$ (0.53)	\$ (2.00)	\$ 0.04	\$ 0.10
Shares Used to Compute Diluted Per Share Amounts.....	38,942	35,653	28,203	29,156	28,925

	Years Ended December 31,				
	2010	2009	2008 (4)	2007	2006
Consolidated Balance Sheet Data:					
Cash and Cash Equivalents.....	\$ 5,835	\$ 11,299	\$ 6,865	\$ 19,175	\$ 32,804
Working Capital.....	24,833	49,945	49,153	50,153	49,031
Total Assets.....	121,971	84,020	77,260	135,800	127,948
Total Long Term Note Payable and Capital Lease Obligations .....	1,731	1,098	-	-	-
Total Stockholders' Equity.....	\$ 97,808	\$ 71,999	\$ 69,203	\$ 127,892	\$ 120,926

- (1) Results of operations for 2010 include acquisition related expenses of \$3.9 million associated with the acquisition of Teranetics in October 2010.
- (2) Results of operations for 2009 include acquisition and related restructuring expenses of \$2.9 million and a loss of \$3.8 million on the fair value remeasurement of the contingently convertible note payable associated with the acquisition of Oxford in January 2009.
- (3) Results of operations for 2008 include impairment charges of \$54.3 million and acquisition related fees of \$0.8 million associated with the acquisition of Oxford in January 2009.
- (4) Total assets and stockholders' equity for 2008 reflect impairment charges of \$54.3 million.
- (5) Results of operations for 2006 include an increase in revenues and cost of revenues of \$2.8 million and \$0.9 million, respectively, as a result from a change in accounting for revenues from distributors.

## ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Report on Form 10-K that are not purely historical are forward-looking statements, including, without limitation, statements regarding our expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

Forward-looking statements include, without limitation, the statements regarding the following:

- the growing demand for standards-based components such as our semiconductor devices that connect systems together;
- our objective to expand our advantages in data transfer technology;
- our expectation that we will support new I/O standards where appropriate;
- the statements regarding our objective to continue to expand our market position as a developer and supplier of I/O connectivity solutions for high performance systems;

- our plan to target those applications where we believe we can attain a leadership position;
- our plan to seek to integrate additional I/O-related functions into our semiconductor devices;
- our belief that our understanding of I/O technology trends and market requirements allows us to bring to market more quickly new products that support the latest I/O technology;
- our expectations and plans for the 10G Ethernet over copper that we are developing based on our acquisition of Teranetics;
- that we continue to integrate more functionality in our semiconductor devices and continue to enhance and expand our software development kits;
- our belief with respect to the principal factors of competition in the business;
- our belief that we compete favorably with respect to each of those factors;
- our expectation that revenues related to sales through distributors will continue to account for a large portion of total revenues;
- our belief that providing customers with comprehensive product support is critical to remaining competitive in the markets we serve;
- our belief that our close contact with customer design engineers provides valuable input into existing product enhancements and next generation product specifications;
- our expectation that we will periodically seek to hire additional development engineers;
- our expectation that we will continue to make significant investments in research and development in order to continually enhance the performance and functionality of our products to keep pace with competitive products and customer demands for improved performance;
- our belief that we must continuously develop our devices using more advanced processes to remain competitive on a cost and performance basis;
- our belief that the transition of our products to smaller geometries will be important for us to remain competitive;
- our plan to seek patent protection when necessary;
- our belief that our current facility will be adequate through 2011;
- our intention to retain earnings for use in our business and not to pay any cash dividend in the foreseeable future;
- our belief that our long-term success will depend on our ability to introduce new products;
- our belief that we may be required to carry higher levels of inventory because of the difficulty in predicting future levels of sales and profitability;
- our expectation that selling, general and administrative and research and development expenses in absolute dollars will increase in future periods; and
- our belief that our existing resources, together with cash expected to be generated from our operations, will be sufficient to meet our capital requirements for at least the next twelve months.

All forward-looking statements included in this document are subject to additional risks and uncertainties further discussed under "Item 1A: Risk Factors - Factors That May Affect Future Operating Results" and are based on information available to us on the date hereof. We assume no obligation to update any such forward-looking statements. It is important to note that our actual results could differ materially from those included in such forward-looking statements. The factors that could cause our actual results to differ from those included in such forward-looking statements are set forth under the heading "Item 1A: Risk Factors - Factors That May Affect Future Operating Results," as well as those disclosed from time to time in our reports on Forms 10-Q and 8-K and our Annual Reports to Stockholders.

The following discussion should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this report.

## Overview

PLX was founded in 1986, and between 1994 and 2002 we focused on development of I/O interface semiconductors and related software and development tools that are used in systems incorporating the PCI standard. In 1994 and 1995, a significant portion of our revenues were derived from the sale of semiconductor devices that perform similar functions as our current products, except they were based on a variety of industry standards. Our revenues between 1996 and 2007 were derived predominantly from the sale of semiconductor devices based on the PCI standard to a large number of customers in a variety of applications including servers, networking and telecommunications, enterprise storage, imaging, industrial and other embedded applications as well as in related adapter cards. In 2002, we shifted the majority of our development efforts to PCI Express. In September 2004, we began shipping products based on the PCI Express standard for next-generation systems. Between 2004 and 2007, an industry-wide adoption of the PCI Express standard took place. PCI Express went from being one of many new protocols in the market to becoming the interconnect of choice and a basic building block of systems. Being a market leader in PCI Express, our line of PCI Express switches and bridges followed suit and also gained a lot of traction in the market. PCI Express was so well accepted that a follow-on was called for. In December of 2006, PCI Express Rev 2.0 (commonly referred to as “PCIe Gen 2”) was released. The Gen 2 protocol doubled the bandwidth supported by PCI Express Gen 1 (from 2.5 Gigabits per second to 5.0 Gigabits per second) and incorporated a number of other protocol enhancements. In September 2007, we announced the addition of the Gen 2 switches to our PCI Express product family and began shipping in January 2008. We are currently rolling out our newest products based on the Gen 3 specification.

We utilize a “fabless” semiconductor business model whereby we purchase wafers and packaged and tested 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.

We rely on a combination of direct sales personnel and distributors and manufacturers’ representatives throughout the world to sell a significant portion of our products. We pay manufacturers’ representatives a commission on sales while we sell products to distributors at a discount from the selling price.

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

The time period between initial customer evaluation and design completion can range from six to twelve months or more. Furthermore, there is typically an additional six to twelve month or greater period after design completion before a customer requests volume production of our products. Due to the variability and length of these design cycles and variable demand from customers, we may experience significant fluctuations in new orders from month to month. In addition, we typically make inventory purchases prior to receiving customer orders. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our results for that quarter and potentially future quarters would be materially and adversely affected.

Our long-term success will depend on our ability to introduce new products. While new products typically generate little or no revenues during the first twelve months following their introduction, our revenues in subsequent periods depend upon these new products. Due to the lengthy sales cycle and additional time before our customers request volume production, significant revenues from our new products typically occur twelve to twenty-four months after product introduction. As a result, revenues from newly introduced products have, in the past, produced a small percentage of our total revenues in the year the product was introduced. See “Item 1A, Risk Factors - Certain Factors That May Affect Future Operating Results -- Our Lengthy Sales Cycle Can Result in Uncertainty and Delays with Regard to Our Expected Revenues” in this Form 10-K.

On September 23, 2010 we signed a definitive agreement to acquire all of the outstanding shares of capital stock of Teranetics, a privately held fabless provider high-performance mixed-signal semiconductors. The acquisition closed on October 1, 2010. Additional information about the acquisition is set forth in Note 7 to the consolidated financial statements.

## Results of Operations

### Comparison of Years Ended December 31, 2010, 2009 and 2008

*Net Revenues.* Net revenues consist of product revenues generated principally by sales of our semiconductor devices.

The following table shows the revenue by product type (in thousands) and as a percentage of net revenues:

	Years Ended December 31,					
	2010		2009		2008	
PCI Express products.....	\$ 54,361	46.6%	\$ 31,819	38.4%	\$ 38,052	46.9%
Storage products.....	\$ 15,838	13.6%	\$ 19,007	23.0%	\$ -	-
Network PHY products.....	\$ 1,020	0.9%	\$ -	-	\$ -	-
Connectivity products.....	\$ 45,341	38.9%	\$ 32,006	38.6%	\$ 43,016	53.1%

Net revenues for the year ended December 31, 2010 were \$116.6 million, an increase of \$33.7 million or 40.7% from \$82.8 million in 2009. The increase in 2010 net revenues was due to higher sales of our PCI Express and connectivity products as a result of increased enterprise and consumer spending as market conditions improved in 2010 compared to 2009, the adoption of PCI Express in newer applications and the introduction of the Network PHY products acquired as part of the Teranetics acquisition, partially offset by a decrease in sales of our storage products largely due to the transition away from lower margin business in the second half of 2009.

Net revenues for the year ended December 31, 2009 were \$82.8 million, an increase of \$1.8 million or 2.2% from \$81.1 million in 2008. The increase in 2009 net revenues was due to revenues generated from the Storage and Connectivity products acquired as part of the Oxford acquisition, largely offset by lower sales of our PCI Express and Connectivity product as a result of a decline in enterprise and consumer spending, which resulted from the weakened global economy and economic uncertainty.

There were no direct end customers that accounted for more than 10% of net revenues. Sales to the following distributors accounted for 10% or more of net revenues:

	Years Ended December 31,		
	2010	2009	2008
Excelpoint Systems Pte Ltd.....	27%	25%	29%
Avnet, Inc.....	22%	12%	12%
Answer Technology, Inc.....	17%	12%	13%
Promate Electronics Co., Ltd.....	*%	15%	-

\* Less than 10%

We continue to generate significant revenues from Asia. For the twelve months ended December 31, 2010, 2009 and 2008, approximately 71%, 72% and 56%, respectively, of net revenues were generated from Asia.

In the fourth quarter of 2008, we experienced a broad decrease in order rates across most product lines, markets and end customers. We have seen market conditions improve in the second half of 2009 throughout most of 2010; however, we are seeing the rate of growth has slowed as inventory levels have balanced themselves out. Future demand for our products is uncertain and is highly dependent on general economic conditions and the demand for products that contain our chips. Customer demand for semiconductors can change quickly and unexpectedly. Our revenue levels have been highly dependent on the amount of new orders that are received for products to be delivered to the customer within the same quarter, also called “turns fill” orders. Because of the long cycle time to build our products and our lack of visibility into demand when turns fill orders are high, it is difficult to predict which products to build to match future demand. We believe the current high turns fill requirements will continue indefinitely. The high turns fill orders pattern, together with the uncertainty of product mix and pricing, makes it difficult to predict

future levels of sales and profitability and may require us to carry higher levels of inventory.

*Gross Margin.* Gross margin represents net revenues less the cost of revenues. Cost of revenues primarily includes the cost of (1) purchasing semiconductor devices from our independent foundries, (2) packaging, assembly and test services from our independent foundries, assembly contractors and test contractors and (3) our operating costs associated with the procurement, storage and shipment of products as allocated to production.

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	in thousands		
Gross profit.....	\$ 68,100	\$ 46,932	\$ 48,282
Gross margin.....	58.4%	56.7%	59.6%

Gross profit for the year ended December 31, 2010 increased by 45.1%, or \$21.2 million compared to 2009. The increase in absolute dollars was due to the overall increase of product shipments, while the increase as a percentage was primarily due to a decrease in storage product revenue as a percentage of total revenue which generally have lower margins, as well as overall product and customer mix and cost reductions achieved during the later part of 2009 and into 2010.

Gross profit for the year ended December 31, 2009 decreased by 2.8%, or \$1.4 million compared to 2008. The decrease in absolute dollars and as a percentage was primarily due to the lower margins of the Storage products acquired in the Oxford acquisition as well as overall product mix.

Future gross margin is highly dependent on the product and customer mix, provisions and sales of excess or obsolete inventory, the position of our products in their respective life cycles and specific manufacturing costs. Accordingly, we are not able to predict future gross profit levels or gross margins with certainty.

*Research and Development Expenses.* Research and development (R&D) expenses consist primarily of tape-out costs at the independent foundries, salaries and related costs, including share-based compensation, software licenses, and expenses for outside engineering consultants included in R&D expenses.

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	in thousands		
R&D expenses.....	\$ 35,766	\$ 31,387	\$ 27,091
As a percentage of revenues.....	30.7%	37.9%	33.4%

R&D expenses increased by \$4.4 million, or 14.0% in the year ended December 31, 2010 compared to 2009. The increase in R&D in absolute dollars was primarily due to increases in R&D spending on compensation and benefit expenses of \$2.5 million and consulting services of \$0.4 million as a result of the acquisition of Teranetics in the fourth quarter of 2010 and variable compensation expenses of \$0.9 million as a result of increased profitability excluding the impact of the acquisition of Teranetics. The decrease in R&D as a percentage of revenue was due to increased revenues.

R&D expenses increased by \$4.3 million, or 15.9% in the year ended December 31, 2009 compared to 2008. The increase in R&D in absolute dollars and as a percentage of revenue was primarily due to increases in R&D spending on compensation and benefit expenses of \$2.2 million, engineering tools of \$1.8 million and office lease expenses of \$0.6 million associated with the acquisition of Oxford, partially offset by decreases in consulting expenses of \$0.8 million due to the timing of projects taped-out and cost control efforts.

We believe continued spending on research and development to develop new products is critical to our success. In addition, we expect to increase research and development expenses in future periods as a result of the recent acquisition of Teranetics and as we increase new product designs in lower geometries.



*Selling, General and Administrative Expenses.* Selling, general and administrative (SG&A) expenses consist primarily of salaries and related costs, including share-based compensation, sales commissions to manufacturers' representatives and professional fees, as well as trade show and other promotional expenses.

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	in thousands		
SG&A expenses.....	\$ 26,720	\$ 24,719	\$ 23,368
As a percentage of revenues.....	22.9%	29.8%	28.8%

SG&A expenses increased by \$2.0 million or 8.1% in the year ended December 31, 2010 compared to 2009. The increase in SG&A in absolute dollars was primarily due to increases in variable compensation expenses of \$1.2 million as a result of increased profitability excluding the impact of the acquisition of Teranetics, commissions to manufacturers' representatives of \$1.0 million resulting from increased revenues and legal fees of \$0.5 million relating to the February patent infringement complaint, partially offset by a decrease in share-based compensation expenses of \$0.9 million related to the 2009 tender offer. The decrease in SG&A as a percentage of revenue was due to increased revenues. See Note 13 of the consolidated financial statements for additional information around the patent infringement complaint.

SG&A expenses increased by \$1.4 million or 5.8% in the year ended December 31, 2009 compared to 2008. The increase in SG&A in absolute dollars and as a percentage of revenue was primarily due to increases in compensation and benefit expenses of \$0.7 million as a result of the redundancies associated with the acquisition of Oxford in the first quarter of 2009, accounting and consulting fees of \$0.4 million as a result of the integration of Oxford and software licenses of \$0.3 million.

*Acquisition and Restructuring Related Costs.*

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	in thousands		
Deal costs.....	\$ 855	\$ 439	\$ 756
Carve-out retention bonus expense.....	3,015	-	-
Severance costs.....	-	2,112	-
Asset impairment.....	-	38	-
Lease commitment accrual.....	-	311	-
	<u>\$ 3,870</u>	<u>\$ 2,900</u>	<u>\$ 756</u>

In 2010 we recorded \$3.9 million in acquisition related costs associated with the October 1, 2010 acquisition of Teranetics. Deal costs related primarily to outside legal and accounting costs. In connection with the acquisition of Teranetics, approximately \$5.3 million was carved out of the consideration as a bonus pool under the Teranetics Employee Retention Plan, to be paid out over a period of time, to participants who were employees of Teranetics at the time of a change in control, provided they fulfilled certain future service requirements under the combined entity. In 2010, we recorded \$3.0 million in expense for this retention bonus plan. See Notes 8 and 13 of the consolidated financial statements for additional information.

In 2009 and 2008 we recorded \$2.9 million and \$0.8 million, respectively, in acquisition related costs associated with the January 2, 2009 acquisition of Oxford. Deal costs related primarily to outside legal and accounting costs. Severance costs were the result of layoffs due to the redundancy issue that arose as a result of the acquisition and the downsizing of our Singapore R&D facility. In addition, we assumed a building lease in Milpitas, California which was vacated upon the acquisition. As a result, we took a lease commitment charge on the operating lease in the first quarter of 2009. See Note 8 of the consolidated financial statements for additional information.

*Amortization of Purchased Intangible Assets.* Amortization of acquired intangible assets in 2010 and 2009 consists of amortization expense related to developed core technology, tradename and customer base acquired in the

Teranetics acquisition in October 2010 and the Oxford acquisition in January 2009. The amortization of acquired intangible assets in 2008 consisted of amortization of developed core technology acquired in the HiNT Corporation acquisition in May 2003 and NetChip Technology, Inc. acquisition in May 2004.

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
		in thousands	
Amortization of purchased intangible assets....	\$ 4,656	\$ 3,416	\$ 742
As a percentage of revenues.....	4.0%	4.1%	0.9%

Amortization of acquired intangible assets increased by \$1.2 million or 36.3% in the year ended December 31, 2010 compared to 2009. The increase in amortization expense was due to the addition of developed core technology, tradename and customer base acquired through the October 1, 2010 acquisition of Teranetics, partially offset by the accelerated amortization of the Oxford developed core technology and the Oxford customer base becoming fully amortized in December 2009. See Note 7 to our consolidated financial statements for additional information.

Amortization of acquired intangible assets increased by \$2.7 million or 360.4% in the year ended December 31, 2009 compared to 2008. The 2008 amortization expense related to intangibles acquired in our prior acquisitions of HiNT and NetChip. In December 2008 we determined that these assets were impaired and the remaining carrying value of \$0.8 million was written off. The amortization expense in 2009 relates to the developed core technology, tradename and customer base acquired through the acquisition of Oxford. See Note 7 to our consolidated financial statements for additional information.

*Impairment of Goodwill, Other Intangible Assets and Long-Lived Assets.* During the fourth quarter of 2008, we assessed goodwill and long lived assets for impairment as we observed that there were indicators of impairment. The notable indicators were a sustained decline in our market capitalization below book value, depressed market conditions, deteriorating industry trends and a significant downward revision of our forecasts. These market conditions continuously change and it is difficult to project how long an economic downturn may last. Our goodwill and intangible assets were primarily established in purchase accounting at the completion of the Sebring, HiNT Corporation and NetChip Technology, Inc acquisitions in 2000, 2003 and 2004, respectively.

The projected discounted cash flows for our single reporting unit were based on discrete five-year financial forecasts developed by management for planning purposes. Cash flows beyond the discrete forecasts were estimated using terminal value calculations. The terminal value represents the value of our single reporting unit at the end of the discrete forecast period. These forecasts represent the best estimate that our management had at the time and were believed to be reasonable. The annual sales growth rates ranged from 5% to 7% during the discrete forecast period and the future cash flows and terminal value were discounted to present value using a discount rate of 22%. The terminal value was based on the application of an 8.0x multiple to forecasted 2013 earnings before interest, taxes, depreciation and amortization expense (EBITDA). The discount rate was based on an analysis of the weighted average cost of capital of our single reporting unit. The EBITDA multiple used in the terminal value calculation was based upon EBITDA multiples paid in comparative merger and acquisition transactions and a review of trading multiples for similar public companies and considered the growth prospects and profitability for our single reporting unit at the end of the discrete forecast period.

Prior to our goodwill impairment testing, we also assessed the fair value of our long-lived assets, including our corporate headquarters building and amortizable intangible assets. For the corporate headquarters building, we used the sales comparison approach and the income capitalization approach, each equally weighted, to arrive at a fair value estimate. We determined that the carrying value of the property was not recoverable and exceeded its fair value, and we recorded an impairment charge of \$18.8 million. For the amortizable intangible assets, which included acquired technology, we estimated a negligible fair value using a relief from royalty method and recorded an impairment charge of \$0.8 million related to all of the remaining net book value of this acquired technology.

As part of the goodwill impairment test for the fourth quarter of 2008, we determined that step two of the impairment analysis was required because the estimated carrying value of our net assets, subsequent to the impairment of long-lived assets noted above, exceeded its estimated fair value. The second step of the goodwill impairment test compared the implied fair value of the goodwill with the carrying amount of that goodwill. When the

carrying amount of the goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The determination of the amount of the impairment required that the fair values of our assets and liabilities be determined as if the Company had been acquired in a hypothetical business combination with a purchase price equal to the fair value of the reporting unit as of December 31, 2008. As a result of this analysis, we recorded an impairment charge of \$34.7 million related to all of the recorded goodwill.

In the fourth quarter of 2009 and 2010, we tested the goodwill acquired and determined there was no impairment.

*Interest Income, Interest Expense and Other, Net.*

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	in thousands		
Interest income.....	\$ 186	\$ 622	\$ 1,521
Interest expense.....	(117)	(450)	-
Other income (expense).....	(13)	164	22
	<u>\$ 56</u>	<u>\$ 336</u>	<u>\$ 1,543</u>

Interest income reflects interest earned on average cash, cash equivalents and short-term and long-term investment balances. Interest income decreased by \$0.4 million or 70.7% in the year ended December 31, 2010 compared to 2009. The decrease was due to lower cash and investment balances largely due to payments associated with the Teranetics acquisition and decreased interest rates.

Interest income decreased by \$0.9 million or 59.1% in the year ended December 31, 2009 compared to 2008. The decrease was due to lower cash and investment balances and decreased interest rates.

Interest expense for the year ended December 31, 2010 of \$0.1 million primarily consisted of interest recorded on our capital lease obligations and interest recorded on the notes associated with the acquisition of Teranetics.

Interest expense for the year ended December 31, 2009 of \$0.5 million primarily consisted of interest recorded on the \$14.2 million note associated with the acquisition of Oxford. This note was converted to 3.4 million shares of common stock of PLX on May 22, 2009. In addition, there was interest recorded on our capital lease obligations.

Other income (expense) includes foreign currency transaction gains and losses and other miscellaneous transactions. Other income for the year ended December 31, 2009 included a \$0.1 million loss due to the liquidation of our subsidiary in the United Kingdom as a result of the acquisition of Oxford and its subsidiary in the United Kingdom. Other income may fluctuate significantly.

*Loss on Fair Value Remeasurement of Contingently Convertible Note Payable.* As a part of the consideration for the Oxford acquisition, we recorded a liability for the contingent consideration due which was recorded at fair value as of the acquisition date. We are required to remeasure the liability to fair value until the contingency is resolved and record the change in fair value in earnings. The fair value of the note payable was based on 3.4 million shares with a stock price of \$1.82, or \$6.2 million. As of March 31, 2009, the closing stock price was \$2.17, or \$7.4 million. The loss on the fair value of the note remeasurement is the increase in fair value of the liability of \$1.2 million, which was recorded in the first quarter of 2009. As of May 22, 2009, the date of conversion of the note into shares of common stock of PLX, the closing stock price was \$2.95, or \$10.0 million. The loss on the fair value of the note of \$2.7 million was recorded in the second quarter of 2009. See Note 7 of the consolidated financial statements for additional information on the contingent consideration arrangement.

*Provision for Income Taxes.* Provision for income taxes for the period ended December 31, 2010 was \$0.4 million on a pretax loss of \$2.9 million, compared to a benefit of \$0.2 million on a pretax loss of \$19.0 million and a provision of \$0.1 million on a pretax loss of \$56.4 million for the periods ended December 31, 2009 and 2008, respectively. Our 2010 provision differs from the benefit derived by applying the applicable U.S. federal statutory rate to the loss from operations due to nondeductible permanent items, the limitation in the usage of acquired NOLs

(net operating losses) related to Oxford and Teranetics and the recording of a valuation allowance for the deferred tax asset partially offset by a benefit of research and development tax credits. Our 2009 benefit differs from the benefit derived by applying the applicable U.S. federal statutory rate to the loss from operations primarily due to the recording of a valuation allowance for the deferred tax asset partially offset by a benefit of research and development tax credits. Our 2008 provision differs from the benefit derived by applying the applicable U.S. federal statutory rate to the loss from operations due to non deductible goodwill impairment and the recording of a valuation allowance for the deferred tax asset partially offset by a benefit of research and development tax credits. See Note 12 of the consolidated financial statements for reconciliation of statutory tax rates.

## **Liquidity and Capital Resources**

*Cash and Investments.* We invest cash not needed for current operations predominantly in debt instruments that are highly liquid, of high-quality investment grade and predominantly have maturities of less than one year with the intent to make such funds readily available for operating purposes. As of December 31, 2010 cash, cash equivalents, short and long-term marketable securities were \$23.6 million, a decrease of \$16.4 million from \$40.0 million at December 31, 2009, and a decrease of \$23.5 million from \$47.1 million at December 31, 2008.

*Operating Activities.* Cash provided by (used in) operating activities primarily consists of net income (loss) adjusted for certain non-cash items including depreciation, amortization, share-based compensation expense, impairments, fair value remeasurements, provisions for excess and obsolete inventories, other non-cash items, and the effect of changes in working capital and other activities. Cash used in operating activities in 2010 was \$0.5 million compared to cash used in operating activities of \$8.4 million in 2009. The decrease in cash flow used in operations in 2010 was primarily due to the 40.7% increase in revenues compared to 2009 and changes in our working capital. Our days sales outstanding increased due to strong shipments late in December. The increase in inventory reflects the continued improvement in available capacity in our supply chain. Our days payable outstanding remained flat.

The increase in cash flow used in operations in 2009 was primarily due to the increase in overall cash related operating expenses compared to 2008 as a result of the acquisition of Oxford and changes in our working capital. Our days sales outstanding increased due to decreased shipments in December 2008 as a result of the economic downturn. The increase in inventory reflects increased forecasts as a result of economic improvements compared to 2008. Our days payable outstanding increased due to timing of vendor payments.

*Investing Activities.* Our investing activities are primarily driven by investment of our excess cash, sales of investments, business acquisitions and capital expenditures. Capital expenditures have generally been comprised of purchases of engineering equipment, computer hardware, software, server equipment and furniture and fixtures. The cash provided by investing activities in 2010 of \$6.5 million was due to the sales and maturities of investments (net of purchases) of \$10.7 million, partially offset by capital expenditures of \$3.4 million and cash used (net of cash acquired) in the acquisition of Teranetics of \$0.8 million. Cash provided by investing activities in 2009 of \$14.4 million was due to sales and maturities of investments (net of purchases) of \$11.2 million and cash acquired through the acquisition of Oxford of \$4.4 million, partially offset by capital expenditures of \$1.2 million.

*Financing Activities.* Cash used in financing activities in 2010 of \$11.5 million was due to the payments made on debt assumed in the acquisition of Teranetics of \$11.2 million and capital lease obligations of \$0.7 million, partially offset by proceeds from the exercise of stock options of \$0.2 million and the excess tax benefit from share-based compensation of \$0.2 million. Cash used in financing activities in 2009 of \$1.6 million was due to the payments made to employees as a result of the tender offer of \$0.9 million and on capital lease obligations of \$0.7 million.

The negative effect of exchange rates on cash and cash equivalents during 2010, 2009 and 2008 was due to the weakening of the U.S. dollar against other foreign currencies.

As of December 31, 2010, we had the following significant contractual obligations and commercial commitments (in thousands):

	<b>Payments due in</b>			
	Total	Less than 1 Year	1-3 Years	More than 3 Years
Operating leases - facilities and equipment.....	\$ 2,965	\$ 1,129	\$ 1,649	\$ 187
Capital leases - IP.....	1,575	1,125	450	-
Software licenses.....	7,084	4,826	2,258	-
Teranetics acquisition notes.....	6,917	5,400	1,517	-
Carve-out retention bonus .....	2,734	2,734	-	-
Inventory purchase commitments.....	9,607	9,607	-	-
<b>Total cash obligations.....</b>	<b>\$ 30,882</b>	<b>\$ 24,821</b>	<b>\$ 5,874</b>	<b>\$ 187</b>

On October 1, 2010, we closed the acquisition of Teranetics. Under the merger agreement, we issued 7,399,980 shares of our common stock and cash of \$922,000. In addition, we issued two promissory notes in the aggregate amount of approximately \$6.9 million. One note is for the principal amount of approximately \$1.5 million and is due 3 years after the closing of the Merger, and the other note is for the principal amount of \$5.4 million and is due 12 months after the closing of the Merger (this \$5.4 million note was delivered into an escrow fund that may be used to satisfy indemnity obligations owed to PLX). The stated interest rate on the promissory notes is 0.46%. In accordance with ASC 805, the promissory notes were fair valued based on market interest rates and the assessed fair value of the promissory notes are approximately \$6.7 million.

In connection with the Teranetics acquisition, we agreed to pay former Teranetics employees a bonus pool under the Teranetics Employee Retention Plan. Under the final plan, a total of \$5.3 million was carved out of the consideration as a bonus pool to be paid out over a period of time to participants who were employees of Teranetics at the time of a change in control, provided they fulfilled certain future ongoing service requirements for the combined entity. In 2010, we paid \$2.6 million for the initial 50% payment and had accrued \$1.3 million for a pro-rata portion based on the required continued service period. There is still an additional \$1.4 million of commitments under this agreement not accrued as of December 31, 2010 which is being accrued as a liability and accreted to expense over the associated future service period. In January 2011, we paid \$0.8 million of the remaining \$2.7 million and expect \$1.9 million to be paid in October 2011. See Notes 8, 9 and 13 of the consolidated financial statements for additional information.

We believe that our existing resources, together with 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 level of investment we make in new technologies and improvements to existing technologies and the levels of monthly expenses required to launch new products. From time to time, we may also evaluate potential acquisitions and equity investments complementary to our technologies and market strategies. To the extent that existing resources and future earnings are insufficient to fund our future activities, we may need to raise additional funds through public or private financings. Given the current economic and credit conditions, additional funds may not be available or, if available, we may not be able to obtain them on terms favorable to us and our stockholders.

See Note 13 to our consolidated financial statements for additional information on our contractual obligations and commercial commitments.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The U.S. Securities and Exchange Commission (“SEC”) has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial

condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We also have other key accounting policies which involve the use of estimates, judgments and assumptions that are significant to understanding our results. For additional information see Note 1 to the consolidated financial statements. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

*Revenue Recognition.* We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is reasonably assured.

Revenue from product sales to customers is recognized upon shipment and transfer of risk of loss if we believe collection is reasonably assured and all other revenue recognition criteria are met. We assess the probability of collection based on a number of factors, including past transaction history and the customer's creditworthiness. At the end of each reporting period, the sufficiency of allowances for doubtful accounts is assessed based on the age of the receivable and the individual customer's creditworthiness.

We offer pricing protection to two distributors whereby we support the distributor's resale product margin on certain products held in the distributor's inventory. We analyze current requests for credit in process, also known as ship and debits, and inventory at the distributor to determine the ending sales reserve required for this program. We also offer stock rotation rights to three distributors such that they can return up to a total of 5% of products purchased every six months in exchange for other PLX products of equal value. We analyze current stock rotation requests and past experience, which has historically been insignificant, to determine the ending sales reserve required for this program. In addition, we had arrangements with a small number of customers offering a rebate program on various products, which were terminated in June 2010. We recorded rebates as a reduction of revenue when the rebate is in the form of cash consideration. Reserves are reduced directly from revenue and recorded as a reduction to accounts receivable.

*Inventory Valuation.* We evaluate the need for potential inventory provisions by considering a combination of factors, including the life of the product, sales history, obsolescence, and sales forecast. Any adverse changes to our future product demand may result in increased provisions, resulting in decreased gross margin. In addition, future sales on any of our previously written down inventory may result in increased gross margin in the period of sale.

*Allowance for Doubtful Accounts.* We evaluate the collectability of our accounts receivable based on length of time the receivables are past due. Generally, our customers have between thirty days to forty five days to remit payment of invoices. We record reserves for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. Once we have exhausted collection efforts, we will reduce the related accounts receivable against the allowance established for that receivable. We have certain customers with individually large amounts due at any given balance sheet date. Any unanticipated change in one of those customers' creditworthiness or other matters affecting the collectability of amounts due from such customers could have a material effect on our results of operations in the period in which such changes or events occur. Historically, our write-offs have been insignificant.

*Goodwill.* Our methodology for allocating the purchase price related to business acquisitions is determined through established valuation techniques. Goodwill is measured as the excess of the cost of the acquisition over the amounts assigned to identifiable tangible and intangible assets acquired less assumed liabilities. We have one operating segment and business reporting unit, the sales of semiconductor devices, and we perform goodwill impairment tests annually during the fourth quarter and between annual tests in certain circumstances. In 2008, we determined that our carrying value exceeded fair value, indicating that goodwill was potentially impaired. As a result, we initiated the second step of the goodwill impairment test which involves calculating the implied fair value of goodwill by allocating the fair value of the Company to all of our assets and liabilities other than goodwill and comparing it to the carrying amount of goodwill. We determined that there was no implied fair value of goodwill and recorded an impairment charge of \$34.7 million in 2008. In the fourth quarter of 2009 and 2010, we tested the goodwill acquired and determined there was no impairment.

*Long-lived Assets.* We review long-lived assets, principally property and equipment and identifiable intangibles, for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. We evaluate recoverability of assets to be held and used by comparing the carrying amount of an asset to estimated future net undiscounted cash flows generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Also see Note 6 to the consolidated financial statements. During 2008, as a result of the goodwill impairment testing, we had to evaluate our other long-lived assets for impairment. We purchased our headquarters building in 2000. It is ideal for our operations and have no plans to relocate or sell the building. However, due to the decline in the value of commercial property, the building was appraised for \$18.8 million less than its carrying value, which was recorded as an impairment charge in 2008.

*Taxes.* We account for income taxes using the asset and liability method. Deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. As of December 31, 2010, we carried a valuation allowance for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset balance (see Note 12 to the consolidated financial statements). The net deferred tax assets are reduced by a valuation allowance if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We must make significant judgments to determine our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance to be recorded against our net deferred tax asset. As of December 31, 2010, a valuation allowance continues to be recorded for the deferred tax assets based on management's assessment that realization of deferred tax assets is uncertain due to the history of losses, the variability of operating results and the inability to conclude that it is more likely than not that sufficient taxable income would be generated in future periods to realize those deferred tax assets. Future taxable income and/or tax planning strategies may eliminate all or a portion of the need for the valuation allowance. In the event we determine we are able to realize our deferred tax asset, an adjustment to the valuation allowance may significantly increase income in the period such determination is made.

### **Recent Accounting Pronouncements**

In December 2010, the FASB amended the guidance related to application of the goodwill impairment model when a reporting unit has a carrying amount that is zero or a negative value. The guidance clarifies that when this is the case, a goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not that goodwill impairment exists. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

In April 2010, the FASB reached a consensus on the Milestone Method of Revenue Recognition which provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The updated guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. We are currently evaluating the potential impact, if any, of the new accounting guidance on our consolidated financial statements.

In January 2010, the FASB amended the guidance related to fair value disclosures. This amended guidance requires disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers, beginning in the first quarter of 2010. Additionally, this guidance requires presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the first quarter of 2011. The adoption of this guidance did not have a material impact on our financial position or results of operations and we do not believe that it will have subsequent impact after the 2011 adoption of the guidance around fair value measurements using unobservable inputs.

In October 2009, the FASB updated the guidance related to Multiple Element Arrangements. This guidance relates to the final consensus reached by FASB on a new revenue recognition guidance regarding revenue arrangements with multiple deliverables. The new accounting guidance addresses how to determine whether an

arrangement involving multiple deliverables contains more than one unit of accounting, and how the arrangement consideration should be allocated among the separate units of accounting. The new accounting guidance is effective for fiscal years beginning after June 15, 2010 and may be applied retrospectively or prospectively for new or materially modified arrangements. In addition, early adoption is permitted. We are currently evaluating the potential impact, if any, of the new accounting guidance on our consolidated financial statements.

## **ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

We have an investment portfolio of fixed income securities, including amounts classified as cash equivalents short-term investments and long-term investments of approximately \$18.5 million at December 31, 2010. 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 a \$2,000 decrease (less than 1%) in the fair value of the Company's available-for-sale securities. At December 31, 2010 and 2009, we had an unrealized loss on our investments of approximately \$6,000 and an unrealized gain of approximately \$28,000 at December 31, 2009.

### **Foreign Currency Exchange Risk**

All of our revenue and a majority of our expense and capital purchasing activities are transacted in U.S. dollars. However, we have significant operating activities incurred in or exposed to other currencies, primarily the British Pound. Therefore, significant strengthening or weakening of the U.S. dollar relative to those foreign currencies could have a material impact on our results of operations. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 20% in currency exchange rates could be experienced in the near term. Such an adverse change would have resulted in an adverse impact on income before taxes of \$2.3 million during the year ended December 31, 2010.

## **ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item is contained in the financial statements and schedule set forth in Item 15 (a) of this Form 10-K.

## **ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A: CONTROLS AND PROCEDURES**

### **Controls and Procedures**

#### **(a) Evaluation of disclosure controls and procedures.**

Based on their evaluation as of December 31, 2010, our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions for Form 10-K and that such disclosure controls and procedures were also effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.



**(b) Changes in internal controls.**

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal year that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Our management has concluded that, as of December 31, 2010, our internal control over financial reporting is effective based on these criteria.

Our independent registered public accounting firm, BDO USA, LLP, which audited the financial statements in this Annual Report on Form 10-K, independently assessed the effectiveness of the company's internal control over financial reporting. BDO USA, LLP has issued an attestation report, included in Part IV, Item 15(a) of this report.

**ITEM 9B: OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders.

#### **ITEM 11: EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders.

#### **ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders.

#### **ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders.

#### **ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated herein by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders.

## PART IV

### ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

For the following financial information included herein, see Index on page 40:

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Consolidated Balance Sheets as of December 31, 2010 and 2009.

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2010.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2010.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2010.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

The financial statement schedules of the Company are included in Part IV of this report: As of and for each of the three years in the period ended December 31, 2010-II Valuation and Qualifying Accounts. All other schedules have been omitted because they are not applicable.

3. Exhibit Index

See Exhibit Index immediately following the signature page for a list of exhibits filed or incorporated by reference as a part of this report.

(b) Exhibits

The Company hereby files, as exhibits to this Form 10-K, those exhibits listed on the Exhibit Index referenced in Item 15 (a) (3) above.

**PLX TECHNOLOGY, INC.**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
PLX Technology, Inc.  
Sunnyvale, California

We have audited the accompanying consolidated balance sheets of PLX Technology, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2010. In connection with our audits of the financial statements, we have also audited Schedule II – Valuation and Qualifying Accounts as of and for each of the years ended December 31, 2010, 2009 and 2008. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PLX Technology, Inc. at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, Schedule II – Valuation and Qualifying Accounts, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PLX Technology, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 4, 2011, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP  
San Francisco, California  
March 4, 2011

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
PLX Technology, Inc.  
Sunnyvale, California

We have audited PLX Technology, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). PLX Technology, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PLX Technology, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of PLX Technology, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2010, and our report dated March 4, 2011, expressed an unqualified opinion thereon.

/s/ BDO USA, LLP  
San Francisco, California  
March 4, 2011

**PLX TECHNOLOGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	December 31,	
	2010	2009
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents.....	\$ 5,835	\$ 11,299
Short-term investments.....	10,398	27,060
Accounts receivable, less allowances of \$1,632 and \$2,147.....	13,555	9,167
Inventories.....	13,318	9,628
Other current assets.....	4,159	3,712
Total current assets.....	47,265	60,866
Goodwill.....	21,412	1,367
Other purchased intangible assets, net of accumulated amortization of \$8,072 and \$3,416.....	31,484	5,640
Property and equipment, net.....	12,554	10,856
Long-term investments.....	7,346	1,656
Other assets.....	1,910	3,635
Total assets.....	\$ 121,971	\$ 84,020
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable.....	\$ 8,783	\$ 6,489
Accrued compensation and benefits.....	5,266	1,261
Accrued commissions.....	514	740
Short term note payable and capital lease obligation.....	6,066	776
Other accrued expenses.....	1,803	1,657
Total current liabilities.....	22,432	10,923
Long term note payable and capital lease obligation.....	1,731	1,098
Total liabilities.....	24,163	12,021
Commitments and contingencies (Notes 11 and 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share:		
Authorized -- 5,000,000 shares: none issued and outstanding.....	-	-
Common stock, \$0.001 par value per share:		
Authorized -- 200,000,000 shares: issued and outstanding - 44,504,371 and 37,012,223.....	45	37
Additional paid-in capital.....	183,090	153,939
Accumulated other comprehensive loss.....	(148)	(87)
Accumulated deficit.....	(85,179)	(81,890)
Total stockholders' equity.....	97,808	71,999
Total liabilities and stockholders' equity.....	\$ 121,971	\$ 84,020

See accompanying notes to consolidated financial statements.

**PLX TECHNOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	Years Ended December 31,		
	2010	2009	2008
Net revenues.....	\$ 116,560	\$ 82,832	\$ 81,068
Cost of revenues.....	48,460	35,900	32,786
Gross profit.....	<u>68,100</u>	<u>46,932</u>	<u>48,282</u>
Operating expenses			
Research and development.....	35,766	31,387	27,091
Selling, general and administrative.....	26,720	24,719	23,368
Acquisition and restructuring related costs.....	3,870	2,900	756
Amortization of purchased intangible assets.....	4,656	3,416	742
Impairment of assets.....	-	-	54,272
Total operating expenses.....	<u>71,012</u>	<u>62,422</u>	<u>106,229</u>
Operating loss.....	(2,912)	(15,490)	(57,947)
Interest income.....	186	622	1,521
Interest expense.....	(117)	(450)	-
Other income (expense), net.....	(13)	164	22
Loss on fair value remeasurement.....	-	(3,842)	-
Loss before provision for income taxes.....	<u>(2,856)</u>	<u>(18,996)</u>	<u>(56,404)</u>
Provision for (benefit from) income taxes.....	433	(194)	126
Net loss.....	<u>\$ (3,289)</u>	<u>\$ (18,802)</u>	<u>\$ (56,530)</u>
Basic net loss per share.....	<u>\$ (0.08)</u>	<u>\$ (0.53)</u>	<u>\$ (2.00)</u>
Shares used to compute basic per share amounts.....	<u>38,942</u>	<u>35,653</u>	<u>28,203</u>
Diluted net loss per share.....	<u>\$ (0.08)</u>	<u>\$ (0.53)</u>	<u>\$ (2.00)</u>
Shares used to compute diluted per share amounts.....	<u>38,942</u>	<u>35,653</u>	<u>28,203</u>

See accompanying notes to consolidated financial statements.



**PLX TECHNOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**& COMPREHENSIVE INCOME (LOSS)**  
**(in thousands, except share amounts)**

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2007.....	28,841,439	\$ 29	\$ 134,503	\$ (82)	\$ (6,558)	\$ 127,892
Share-based compensation expense.....	-	-	3,301	-	-	3,301
Issuance of stock under employee option plans.....	119,229	-	845	-	-	845
Repurchase of common stock.....	(956,406)	(1)	(6,490)	-	-	(6,491)
Comprehensive income (loss):						
Change in unrealized loss on investments.....	-	-	-	229	-	229
Translation adjustments.....	-	-	-	(43)	-	(43)
Net loss.....	-	-	-	-	(56,530)	(56,530)
Total comprehensive loss.....						(56,344)
Balance at December 31, 2008.....	28,004,262	28	132,159	104	(63,088)	69,203
Share-based compensation expense.....	-	-	2,398	-	-	2,398
Tender offer payments.....	-	-	(933)	-	-	(933)
Issuance of stock:						
under employee stock option plans.....	8,000	-	26	-	-	26
in connection with the acquisition of Oxford.....	8,999,961	9	20,213	-	-	20,222
Tax benefit related to exercise of stock options.....	-	-	76	-	-	76
Comprehensive income (loss):						
Change in unrealized loss on investments.....	-	-	-	(263)	-	(263)
Translation adjustments.....	-	-	-	72	-	72
Net loss.....	-	-	-	-	(18,802)	(18,802)
Total comprehensive loss.....						(18,993)
Balance at December 31, 2009.....	37,012,223	37	153,939	(87)	(81,890)	71,999
Share-based compensation expense.....	-	-	1,264	-	-	1,264
Issuance of stock:						
under employee stock option plans.....	92,188	1	222	-	-	223
in connection with the acquisition of Teranetics.....	7,399,980	7	27,447	-	-	27,454
true up in connection with the acquisition of Oxford.....	(20)	-	-	-	-	-
Tax benefit related to exercise of stock options.....	-	-	218	-	-	218
Comprehensive loss:						
Change in unrealized loss on investments.....	-	-	-	(34)	-	(34)
Translation adjustments.....	-	-	-	(27)	-	(27)
Net loss.....	-	-	-	-	(3,289)	(3,289)
Total comprehensive loss.....						(3,350)
Balance at December 31, 2010.....	44,504,371	\$ 45	\$ 183,090	\$ (148)	\$ (85,179)	\$ 97,808

See accompanying notes to consolidated financial statements.

**PLX TECHNOLOGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Years Ended December 31,		
	2010	2009	2008
<b>Cash flows from operating activities:</b>			
Net loss.....	\$ (3,289)	\$ (18,802)	\$ (56,530)
Adjustments to reconcile net loss to net cash flows provided by operating activities, net of assets acquired and liabilities assumed:			
Depreciation and amortization.....	3,458	3,289	2,240
Share-based compensation expense.....	1,264	2,398	3,301
Amortization of purchased intangible assets.....	4,656	3,416	742
Impairment of assets.....	-	-	54,272
Provision for inventories.....	669	521	684
Fair value remeasurement of note payable.....	-	3,842	-
Changes in pre-acquisition deferred tax balances.....	-	-	(151)
Other non-cash items.....	271	(95)	(176)
Changes in operating assets and liabilities:			
Accounts receivable.....	(3,945)	(1,887)	4,822
Inventories.....	(3,767)	(180)	(519)
Other current assets.....	(1,112)	2,300	(987)
Other assets.....	623	(252)	(298)
Accounts payable.....	(625)	(662)	(444)
Accrued compensation and benefits.....	3,376	(1,840)	123
Accrued commissions.....	(231)	168	(177)
Other accrued expenses.....	(1,847)	(626)	647
Net cash provided by (used in) operating activities.....	<u>(499)</u>	<u>(8,410)</u>	<u>7,549</u>
<b>Cash flows provided by (used in) investing activities:</b>			
Cash acquired in Oxford acquisition.....	-	4,392	-
Cash used in Teranetics acquisition.....	(810)	-	-
Purchase of investments.....	(34,829)	(34,265)	(48,360)
Sales and maturities of investments.....	45,531	45,499	35,890
Purchase of property and equipment.....	(3,390)	(1,182)	(1,776)
Proceeds from sales of property and equipment.....	22	2	-
Net cash provided by (used in) investing activities.....	<u>6,524</u>	<u>14,446</u>	<u>(14,246)</u>
<b>Cash flows used in financing activities:</b>			
Proceeds from exercise of common stock options.....	223	26	845
Excess tax benefit from share-based compensation.....	242	-	76
Repurchase of common stock.....	-	-	(6,491)
Tender Offer payments.....	-	(933)	-
Principal payments on capital lease obligations.....	(727)	(659)	-
Payments of assumed debt.....	(11,195)	-	-
Net cash used in financing activities.....	<u>(11,457)</u>	<u>(1,566)</u>	<u>(5,570)</u>
Effect of exchange rate fluctuations on cash and cash equivalents.....	(32)	(36)	(43)
Increase (decrease) in cash and cash equivalents.....	(5,464)	4,434	(12,310)
Cash and cash equivalents at beginning of year.....	11,299	6,865	19,175
Cash and cash equivalents at end of year.....	<u>\$ 5,835</u>	<u>\$ 11,299</u>	<u>\$ 6,865</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash from income tax refunds.....	\$ 2	\$ 1,111	\$ 4
Cash paid for income taxes.....	\$ 1,017	\$ 59	\$ 199
Cash paid for interest.....	\$ 1,268	\$ 418	\$ -
Common stock issued in connection with acquisition.....	\$ 27,454	\$ 10,192	\$ -
Common stock issued in connection with acquisition after conversion of the note into shares.....	\$ -	\$ 10,030	\$ -
Notes issued in connection with acquisition.....	\$ 6,650	\$ -	\$ -

See accompanying notes to consolidated financial statements.

**PLX TECHNOLOGY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Summary of Significant Accounting Policies**

***Description of Business***

PLX Technology, Inc. ("PLX" or the "Company"), a Delaware corporation established in May 1986, develops and supplies semiconductor devices that accelerate and manage the transfer of data in microprocessor-based systems including networking and telecommunications, enterprise storage, servers, personal computers (PCs), PC peripherals, consumer electronics, imaging and industrial products. The Company offers a complete solution consisting of two related types of products: semiconductor devices and development kits. The Company's semiconductor devices simplify the development of data transfer circuits in micro-processor based systems. The Company's development kits promote sales of its semiconductor devices by lowering customers' development costs and by accelerating their ability to bring new products to market. The Company utilizes a "fabless" semiconductor business model whereby it purchases wafers and packaged and tested semiconductor devices from independent manufacturing foundries. Semiconductor devices account for substantially all of the Company's net revenues.

***Basis of Presentation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries in China, India, Japan, Korea, Singapore, Taiwan and the United Kingdom. All intercompany transactions and balances have been eliminated.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

***Investments***

At December 31, 2010, the Company's securities consisted of debt securities. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. At December 31, 2010 and 2009, all debt securities were designated as available-for-sale. Available-for-sale securities are carried at fair value, based on quoted market prices or prices quoted in markets that are not active, with unrealized gains and losses reported in a separate component of stockholders' equity. The amortized cost of debt securities is adjusted for the amortization of premiums and the accretion of discounts to maturity both of which are included in interest income. Realized gains and losses are recorded on the specific identification method.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days are reviewed individually for collectability. Account balances are charged off against the allowance when the Company believes that it is probable the receivable will not be recovered.

## ***Inventories***

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

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Work-in-process.....	\$ 5,016	\$ 2,242
Finished goods.....	8,302	7,386
Total.....	<u>\$ 13,318</u>	<u>\$ 9,628</u>

The Company evaluates the need for potential provision for inventory by considering a combination of factors, including the life of the product, sales history, obsolescence and sales forecasts.

## ***Goodwill and Other Intangible Assets***

Goodwill represents the excess of cost over the value of net assets of businesses acquired and is carried at cost unless write-downs for impairment are required. The Company's goodwill as of December 31, 2010, is a result of the Oxford and Teranetics acquisition on January 2, 2009 and October 1, 2010, respectively. The Company evaluates the carrying value of goodwill on an annual basis during the fourth quarter and whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators would include a significant reduction in the Company's market capitalization, a decrease in operating results or a deterioration in the Company's financial position. The Company operates under a single reporting unit, and accordingly, all of its goodwill is associated with the entire company.

The purchased intangible assets including customer base and developed/core technology are being amortized over the assets' useful lives, which ranges from three to six years, utilizing the straight-line or accelerated methods which approximates the estimated future cash flows from the intangible. Also, see Notes 6 and 7 to the consolidated financial statements. The Company evaluates other intangible assets for impairment whenever events and circumstances indicate that such assets might be impaired.

Changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Goodwill.....	\$ 36,059	\$ 34,692
Accumulated impairment losses.....	(34,692)	(34,692)
Net goodwill at beginning of period.....	1,367	-
Goodwill acquired in the acquisition of Oxford.....	-	1,367
Goodwill acquired in the acquisition of Teranetics.....	20,045	-
Net goodwill at end of period.....	<u>\$ 21,412</u>	<u>\$ 1,367</u>

Goodwill is required to be tested for impairment annually or at an interim date if an event occurs or conditions change that would more likely than not reduce the fair value of our reporting unit below its carrying value. During the quarter ended December 31, 2008, the Company determined that its carrying value exceeded its fair value, indicating that goodwill was potentially impaired. As a result, the Company initiated the second step of the goodwill impairment test which involves calculating the implied fair value of its goodwill by allocating the fair value of the Company to all of its assets and liabilities other than goodwill and comparing it to the carrying amount of goodwill. The Company determined that there was no implied fair value of its goodwill and recorded an impairment charge of \$34.7 million in 2008. Also see Note 6 to the consolidated financial statements.

In the fourth quarter of 2009 and 2010, the Company tested the goodwill acquired and determined there was no impairment.

### ***Long-lived Asset Impairment***

Long-lived assets, principally property and equipment and identifiable intangibles, held and used by the Company are reviewed for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to estimated future net undiscounted cash flows generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Also see Note 6 to the consolidated financial statements.

During 2008, as a result of the goodwill impairment testing, the Company had to evaluate its other long-lived assets for impairment. The Company purchased its headquarters building in 2000. It is ideal for its operations and has no plans to relocate or sell the building. However, due to the decline in the value of commercial property, the building was appraised for \$18.8 million less than its carrying value, which was recorded as an impairment charge.

### ***Property and Equipment***

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of thirty nine years for buildings, three to eight years for building improvements and three to seven years for equipment, furniture and purchased software.

Property and equipment are as follows (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Land.....	\$ 3,150	\$ 3,150
Building and improvements.....	4,169	4,078
Equipment and furniture.....	14,330	12,636
Purchased software.....	3,277	3,317
	<u>24,926</u>	<u>23,181</u>
Accumulated depreciation.....	(12,372)	(12,325)
Net property and equipment.....	<u>\$ 12,554</u>	<u>\$ 10,856</u>

Depreciation and amortization expense pertaining to property and equipment was approximately \$2.3 million, \$2.2 million and \$2.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

### ***Foreign Currency Translation***

The functional currency of the Company's international subsidiaries, China, Japan and Korea, is the local currency of the resident countries. Assets and liabilities of the Company's foreign subsidiaries are translated into the Company's reporting currency at month-end exchange rates. Revenues and expenses of the Company's foreign subsidiaries are translated into the Company's reporting currency at weighted-average exchange rates. The effects of the translation are included in a separate component of the Consolidated Statements of Stockholder's equity and Comprehensive Income (Loss).

### ***Foreign Currency Transaction***

The functional currency of the Company's international subsidiaries, India, Singapore, Taiwan and UK, is the United States dollar. Assets and liabilities maintained in currencies other than the United States dollar are remeasured using the foreign exchange rate at the balance sheet dates. Operational accounts are remeasured and recorded at the rate in effect at the date of the transactions. The effects of the remeasurement are included within other income, net in the Consolidated Statements of Operations.

### ***Income Taxes***

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided when it is more likely than not that all or some portion of deferred tax assets will not be realized.

### ***Revenue Recognition***

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Revenue from product sales to direct customers and distributors is recognized upon shipment and transfer of risk of loss, if the Company believes collection is reasonably assured and all other revenue recognition criteria are met. The Company assesses the probability of collection based on a number of factors, including past transaction history and the customer's creditworthiness. At the end of each reporting period, the sufficiency of allowances is assessed based on the age of the receivable and the individual customer's creditworthiness.

The Company offers pricing protection to two distributors whereby the Company supports the distributor's resale product margin on certain products held in the distributor's inventory. The Company analyzes current requests for credit in process, also known as ship and debits, and inventory at the distributor to determine the ending sales reserve required for this program. The Company also offers stock rotation rights to three distributors such that they can return up to a total of 5% of products purchased every six months in exchange for other PLX products of equal value. The Company analyzes current stock rotation requests and past experience to determine the ending sales reserve required for this program. In addition, the Company had arrangements with a small number of customers offering a rebate program on various products, which were terminated in June 2010. The Company recorded rebates as a reduction of revenue when the rebate is in the form of cash consideration. Reserves are reduced directly from revenue and recorded as a reduction to accounts receivable.

### ***Product Warranty***

The Company sells products with a limited warranty of product quality for a period of one year, and up to three years for a small number of customers, and a limited indemnification of customers against intellectual property infringement claims related to the Company's products. The Company accrues for known warranty and indemnification issues if a loss is probable and can be reasonably estimated, and accrues for estimated incurred but unidentified issues based on historical activity.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect various accounts, including but not limited to goodwill, acquired intangibles, long-lived assets, income taxes, inventories, revenue recognition, sales reserves, allowance for doubtful accounts, share-based compensation and warranty reserves as reported in the financial statements and accompanying notes. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements.

### ***Comprehensive Income (Loss)***

The components of accumulated other comprehensive income (loss), reflected in the Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), consisted of the following (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Unrealized gain (loss) on investments, net.....	\$ (6)	\$ 28	\$ 291
Cumulative translation adjustments.....	(142)	(115)	(187)
Accumulated other comprehensive income (loss).....	<u>\$ (148)</u>	<u>\$ (87)</u>	<u>\$ 104</u>

### ***Recent Accounting Pronouncements***

In December 2010, the FASB amended the guidance related to application of the goodwill impairment model when a reporting unit has a carrying amount that is zero or a negative value. The guidance clarifies that when this is the case, a goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not that goodwill impairment exists. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In April 2010 the FASB reached a consensus on the Milestone Method of Revenue Recognition which provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The updated guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the potential impact, if any, of the new accounting guidance on its consolidated financial statements.

In January 2010, the FASB amended the guidance related to fair value disclosures. This amended guidance requires disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers, beginning in the first quarter of 2010. Additionally, this guidance requires presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the first quarter of 2011. The adoption of this guidance did not have a material impact on the Company's financial position or results of operations and the Company does not believe that it will have subsequent impact after the 2011 adoption of the guidance around fair value measurements using unobservable inputs.

In October 2009, the FASB updated the guidance related to Multiple Element Arrangements. This guidance relates to the final consensus reached by FASB on a new revenue recognition guidance regarding revenue arrangements with multiple deliverables. The new accounting guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, and how the arrangement consideration should be allocated among the separate units of accounting. The new accounting guidance is effective for fiscal years beginning after June 15, 2010 and may be applied retrospectively or prospectively for new or materially modified arrangements. In addition, early adoption is permitted. The Company is currently evaluating the potential impact, if any, of the new accounting guidance on its consolidated financial statements.

## **2. Share-Based Compensation**

### ***Stock Option Plans***

In May 2008, the Company's stockholders approved the 2008 Equity Incentive Plan ("2008 Plan"). An amendment to the 2008 Plan was approved by the Company's stockholders in May 2010 to increase the number shares reserved by 1,500,000. Under the 2008 Plan, as so amended, there is authorized for issuance and available for awards an aggregate of 2,700,000 shares of the Company's common stock, plus the number of shares of the Company's common stock available for issuance under the Company's prior incentive plan, its 1999 Stock Incentive Plan, that were not subject to outstanding awards as of May 27, 2008. In addition, the share reserve under the 2008

Plan will be increased by the number of shares issuable pursuant to awards outstanding under the prior plan that would have otherwise reverted to the prior plan because such awards expire, are canceled or otherwise terminated without being exercised. However, under the 2008 Plan, no more than 7,080,765 shares may be issued or transferred. Awards under the 2008 Plan may include stock options, restricted stock, stock appreciation rights, performance awards, restricted stock units and other awards, provided that with respect to full value awards, such as restricted stock or restricted stock units, no more than 300,000 shares may be issued in the form of full value awards during the term of the 2008 Plan. Awards under the 2008 Plan may be made to the Company's officers and other employees, its board members and consultants that it hires and have a term of seven years. The 2008 Plan has a term of ten years.

### ***Share-Based Compensation Expense***

The fair value of share-based awards to employees is calculated using the Black-Scholes option pricing model, which requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values.

The weighted-average fair value of share-based compensation to employees is based on the multiple option valuation approach. Forfeitures are estimated and it is assumed no dividends will be declared. The estimated fair value of share-based compensation awards to employees is amortized using the straight-line method over the vesting period of the options. The weighted-average fair value calculations are based on the following average assumptions:

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Volatility.....	0.62	0.62	0.54
Expected term of options (in years).....	4.19	4.51	4.47
Risk-free interest rate.....	1.61%	2.34%	2.55%

*Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option.

*Expected Term.* The Company's expected term represents the weighted-average period that the Company's stock options are expected to be outstanding. The expected term is based on the observed and expected time to post-vesting exercise of options by employees. The Company uses historical exercise patterns of previously granted options in relation to stock price movements to derive an employee behavioral pattern used to forecast expected exercise patterns.

*Expected Volatility.* The Company believes that historical volatility best represents expected volatility due to the lack of market data consistently available to calculate implied volatility. The historical volatility is based on the weekly closing prices of its common stock over a period equal to the expected term of the option and is a strong indicator of the expected future volatility.

These factors could change in the future, which would affect the share-based compensation expense in future periods.

As share-based compensation expense recognized in the Consolidated Statements of Operations for the fiscal years 2010, 2009 and 2008 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company's estimated forfeiture rate of 26%, 29% and 26% for the years ended December 31, 2010, 2009 and 2008, respectively, was based on historical experience.



The following table shows total share-based compensation and employee stock ownership plan expenses recorded for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Cost of revenues.....	\$ 33	\$ 91	\$ 59
Research and development.....	715	862	1,317
Selling, general and administrative.....	863	1,767	1,925
Total share-based compensation expense.....	<u>\$ 1,611</u>	<u>\$ 2,720</u>	<u>\$ 3,301</u>

The 2009 share-based compensation expense included \$1.6 million of share-based compensation expense related to the unamortized expense of options accelerated in connection with the Company's tender offer. For more information on the tender offer, refer to the 'Tender Offer' section in this Note 2.

A summary of option activity under the Company's stock equity plans during the years ended December 31, 2010, 2009 and 2008 are as follows:

Options	Options Available for Grant	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007....	1,142,597	3,999,473	\$ 11.38	4.79	\$ 2,663,803
Authorized.....	1,200,000	-	-		
Granted.....	(1,531,500)	1,531,500	5.12		
Exercised.....	-	(119,229)	7.09		
Cancelled.....	651,901	(651,901)	8.96		
Plan Termination (1).....	(150,753)	-	-		
Adjustment.....	(60)	-	-		
Outstanding at December 31, 2008....	<u>1,312,185</u>	<u>4,759,843</u>	<u>9.80</u>	<u>4.20</u>	<u>\$ 1,262</u>
Granted.....	(1,265,400)	1,265,400	2.43		
Exercised.....	-	(8,000)	3.22		
Cancelled.....	3,191,447	(3,191,447)	11.62		
Retired (2).....	(2,133,278)	-	-		
Plan Termination (3).....	(234,144)	-	-		
Outstanding at December 31, 2009....	<u>870,810</u>	<u>2,825,796</u>	<u>4.36</u>	<u>5.14</u>	<u>\$ 1,794,310</u>
Authorized.....	1,500,000	-	-		
Granted.....	(1,581,000)	1,581,000	4.27		
Exercised.....	-	(92,188)	2.42		
Cancelled.....	111,955	(111,955)	5.65		
Plan Termination (3).....	(3,041)	-	-		
Outstanding at December 31, 2010....	<u>898,724</u>	<u>4,202,653</u>	<u>4.34</u>	<u>5.06</u>	<u>\$ 2,314,975</u>
Exercisable at December 31, 2010.....		<u>1,669,694</u>	<u>\$ 5.40</u>	<u>3.74</u>	<u>\$ 1,043,127</u>

- (1) Represents options cancelled and no longer issuable under the 1998 Stock Incentive Plan and the NetChip Technology, Inc. 1996 Flexible Stock Incentive Plan.
- (2) Represents options that were tendered and retired pursuant to the Company's 2009 tender offer program.
- (3) Represents options cancelled and no longer issuable under the 1998 Stock Incentive Plan and the Sebring Systems, Inc. 1997 Stock Option/Issuance Plan.

The Black-Scholes weighted average fair values of options granted during the years ended December 31, 2010, 2009 and 2008 were \$2.08, \$1.20 and \$2.27, respectively.

The following table summarizes ranges of outstanding and exercisable options as of December 31, 2010:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$1.50-\$2.00.....	811,151	5.12	\$ 1.91	350,482	\$ 1.91
\$2.01-\$3.42.....	675,627	4.63	2.35	385,626	2.45
\$3.43-\$3.76.....	751,400	6.44	3.50	68,095	3.74
\$3.77-\$4.92.....	1,137,340	5.94	4.64	146,293	4.03
\$4.93-\$16.65.....	827,135	2.89	8.67	719,198	9.12
Total.....	<u>4,202,653</u>	5.06	\$ 4.34	<u>1,669,694</u>	\$ 5.40

The total intrinsic value of options exercised during the year ended December 31, 2010 was approximately \$0.3 million. In 2009, the intrinsic value of options exercised was approximately \$2,000. The fair value of options vested during the year ended December 31, 2010 was approximately \$3.1 million. As of December 31, 2010, total unrecognized compensation costs related to nonvested stock options net of estimated forfeitures was \$1.8 million which is expected to be recognized as expense over a weighted average period of approximately 1.41 years.

#### *Tender Offer*

On March 31, 2009, the Company commenced an offer to purchase for cash certain outstanding options held by its employees (including officers) and directors, and filed associated documents with the SEC under Schedule TO. Options to purchase 3,262,809 shares of our common stock were eligible for purchase under the offer. Eligible options must have had an exercise price of at least \$5.50 and must have met other conditions set forth in the offer. The amount of cash offered for eligible options was based on the Black-Scholes valuation of each eligible option, subject to a minimum of \$0.05 per share, and ranged from \$0.05 to \$1.42 per share.

On May 1, 2009, upon the closing of the offer, options to purchase 2,533,278 shares of the Company's common stock were validly tendered and not withdrawn, and the Company accepted the repurchase of these options. Each eligible optionee who validly tendered eligible options pursuant to the offer to purchase received a cash payment in the range of \$0.05 to \$1.42 per optioned share for an aggregate amount of \$0.9 million. The Company recognized \$1.6 million in share-based compensation expenses associated with the acceleration of unamortized compensation expenses on the previously unvested tendered options in the second quarter of 2009. The aggregate amount of the payments made in exchange for eligible options was charged to stockholders' equity to the extent that the amount did not exceed the fair value of the eligible options accepted for payment, as determined at the purchase date. The amount paid in excess of that fair value of \$16,000, as determined at the purchase date, was also recorded as compensation expense.

The Company returned to its 2008 Equity Incentive Plan the first 400,000 shares underlying options purchased pursuant to the offer that were originally issued under the 2008 plan or our 1999 Stock Incentive Plan. These options have become available for future grant. The Company retired the remaining 2,133,278 tendered options.

### 3. Net Loss Per Share

The Company uses the treasury stock method to calculate the weighted-average shares used in the diluted earnings per. The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share data):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net loss .....	\$ (3,289)	\$ (18,802)	\$ (56,530)
Weighted average shares of common stock outstanding.....	38,942	35,653	28,203
Net loss per share - basic and diluted.....	\$ (0.08)	\$ (0.53)	\$ (2.00)

As the Company incurred a net loss for the years ended December 31, 2010, 2009 and 2008, the effect of dilutive securities, totaling 4.2 million, 2.8 million and 4.8 million shares, respectively, has been excluded from the computation of diluted loss per share, as their impact would be anti-dilutive. Dilutive securities are comprised of options to purchase common stock.

### 4. Financial Instruments

#### *Fair Value Measurements*

The accounting guidance for fair value measurements provided a framework for measuring fair value and expands related disclosures. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The guidance also established a hierarchy which requires an entity to maximize the use of observable inputs, when available. The guidance requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets and liabilities. The fair value of available-for-sale securities included in the level 1 category is based on quoted prices that are readily and regularly available in an active market.

Level 2: Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of available-for-sale securities included in the Level 2 category is based upon quoted prices in markets that are not active and incorporate available trade, bid and other market information.

Level 3: Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing.

The fair value of financial assets and liabilities measured on a recurring basis is as follows (in thousands):

	<b>December 31, 2010</b>	<b>Fair Value Measurement as Reporting Date Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Assets:				
Money market funds.....	\$ 1	\$ 1	\$ -	\$ -
Certificate of deposit.....	1,494	1,494	-	-
Marketable securities.....	16,997	-	16,997	-
Total	\$ 18,492	\$ 1,495	\$ 16,997	\$ -

	December 31, 2009	Fair Value Measurement as Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds.....	\$ 3,611	\$ 3,611	\$ -	\$ -
Certificate of deposit.....	1,726	1,726	-	-
Marketable securities.....	26,990	-	26,990	-
Total	<u>\$ 32,327</u>	<u>\$ 5,337</u>	<u>\$ 26,990</u>	<u>\$ -</u>

### Investments

As of December 31, 2010, the Company's securities consisted of debt securities and were designated as available-for-sale. Available-for-sale securities are carried at fair value, based on quoted market prices or prices quoted in markets that are not active, with unrealized gains and losses reported in a separate component of stockholders' equity. The amortized cost of debt securities is adjusted for the amortization of premiums and the accretion of discounts to maturity, both of which are included in interest income. Realized gains and losses are recorded on the specific identification method.

The fair value of available-for-sale investments is as follows (in thousands):

	December 31, 2010			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Certificate of deposit.....	\$ 1,494	\$ -	\$ -	\$ 1,494
Corporate bonds and notes.....	3,879	2	(1)	3,880
Municipal bonds.....	1,988	-	(7)	1,981
US treasury and government agencies securities.....	11,136	11	(11)	11,136
Total short and long-term available-for-sale investments.....	<u>\$ 18,497</u>	<u>\$ 13</u>	<u>\$ (19)</u>	<u>\$ 18,491</u>

Contractual maturity dates for investments:

Less than one year.....	11,145
One to two years.....	7,346
	<u>\$ 18,491</u>

	December 31, 2009			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Certificate of deposit.....	\$ 1,726	\$ -	\$ -	\$ 1,726
Corporate bonds and notes.....	1,937	8	(3)	1,942
Municipal bonds.....	106	-	-	106
US treasury and government agencies securities.....	24,919	35	(12)	24,942
Total short and long-term available-for-sale investments.....	<u>\$ 28,688</u>	<u>\$ 43</u>	<u>\$ (15)</u>	<u>\$ 28,716</u>

Contractual maturity dates for investments:

Less than one year.....	27,060
One to two years.....	1,656
	<u>\$ 28,716</u>

The following tables show the gross unrealized losses and fair value for investments in an unrealized loss position as of December 31, 2010 and December 31, 2009, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	<b>December 31, 2010</b>					
	<b>Less than 12 Months</b>		<b>12 months or Greater</b>		<b>Total</b>	
	<b>Unrealized</b>		<b>Unrealized</b>		<b>Unrealized</b>	
	<b>Fair Value</b>	<b>Loss</b>	<b>Fair Value</b>	<b>Loss</b>	<b>Fair Value</b>	<b>Loss</b>
Corporate bonds and notes.....	\$ 1,620	\$ (1)	\$ -	\$ -	\$ 1,620	\$ (1)
Municipal Bonds.....	1,877	(7)	-	-	1,877	(7)
US treasury and government agencies securities.....	3,915	(11)	-	-	3,915	(11)
<b>Total</b>	<b>\$ 7,412</b>	<b>\$ (19)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,412</b>	<b>\$ (19)</b>

	<b>December 31, 2009</b>					
	<b>Less than 12 Months</b>		<b>12 months or Greater</b>		<b>Total</b>	
	<b>Unrealized</b>		<b>Unrealized</b>		<b>Unrealized</b>	
	<b>Fair Value</b>	<b>Loss</b>	<b>Fair Value</b>	<b>Loss</b>	<b>Fair Value</b>	<b>Loss</b>
Corporate bonds and notes.....	\$ 561	\$ (3)	\$ -	\$ -	\$ 561	\$ (3)
US treasury and government agencies securities.....	13,292	(12)	-	-	13,292	(12)
<b>Total</b>	<b>\$ 13,853</b>	<b>\$ (15)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,853</b>	<b>\$ (15)</b>

The Company reviews its available for sale investments for impairment at the end of each period. Investments in debt securities, which make up the majority of the Company's investments, are considered impaired when the fair value of the debt security is below its amortized cost. If an impairment exists and the Company determines it has intent to sell the debt security or if it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, an other-than-temporary impairment loss is recognized in earnings to write the debt security down to its fair value. However, even if the Company does not expect to sell the debt security, it must evaluate expected cash flows to be received and determine if a credit loss exists. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in earnings. Amounts relating to factors other than credit losses are recognized in other comprehensive income (loss). The Company did not record any other-than-temporary write-downs in the accompanying financial statements.

## 5. Concentrations of Credit, Customer and Supplier Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments, long-term investments and trade receivables. The Company generally invests its excess cash in money market funds, commercial paper of corporations with high credit ratings, municipal bonds and treasury bills. The Company's cash, cash equivalents, short and long-term investments were approximately \$23.6 million as of December 31, 2010 which exceeded the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any significant losses on its cash equivalents or short and long-term investments.

The Company performs ongoing credit evaluations of its customers and generally requires no collateral. Customers who accounted for 10% or more of net accounts receivable are as follows:

	<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Avnet, Inc.....	31%	21%	10%
Excelpoint Systems Pte Ltd.....	21%	25%	36%
Answer Technology, Inc.....	15%	18%	18%
Promate Electronics Co., Ltd.....	*%	14%	-

\* Less than 10%

The Company analyzes the need for reserves for potential credit losses and records reserves when necessary. Through fiscal 2010, there were no direct end customers that accounted for more than 10% of net revenues. Sales to the following distributors accounted for 10% or more of net revenues:

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Excelpoint Systems Pte Ltd.....	27%	25%	29%
Avnet, Inc.....	22%	12%	12%
Answer Technology, Inc.....	17%	12%	13%
Promate Electronics Co., Ltd.....	*%	15%	-

\* Less than 10%

Currently, the Company relies on single source suppliers for the significant majority of its product inventory. As a result, should the Company's current suppliers not produce and deliver inventory for the Company to sell on a timely basis, operating results may be adversely impacted.

## **6. Asset Impairment Charges**

During the fourth quarter of 2008, the Company assessed goodwill and long lived assets for impairment as it observed that there were indicators of impairment. The notable indicators were a sustained decline in the Company's market capitalization below book value, depressed market conditions, deteriorating industry trends and a significant downward revision of its forecasts. These market conditions continuously change and it is difficult to project how long an economic downturn may last. The Company's goodwill and intangible assets were primarily established in purchase accounting at the completion of the Sebring, HiNT Corporation and NetChip Technology, Inc acquisitions in 2000, 2003 and 2004, respectively.

The projected discounted cash flows for the Company's single reporting unit were based on discrete five-year financial forecasts developed by management for planning purposes. Cash flows beyond the discrete forecasts were estimated using terminal value calculations. The terminal value represents the value of the Company's single reporting unit at the end of the discrete forecast period. These forecasts represent the best estimate that management had at the time and were believed to be reasonable. The annual sales growth rates ranged from 5% to 7% during the discrete forecast period and the future cash flows and terminal value were discounted to present value using a discount rate of 22%. The terminal value was based on the application of an 8.0x multiple to forecasted 2013 earnings before interest, taxes, depreciation and amortization expense (EBITDA). The discount rate was based on an analysis of the weighted average cost of capital of our single reporting unit. The EBITDA multiple used in the terminal value calculation was based upon EBITDA multiples paid in comparative merger and acquisition transactions and a review of trading multiples for similar public companies and considered the growth prospects and profitability for our single reporting unit at the end of the discrete forecast period.

Prior to the Company's goodwill impairment testing, it also assessed the fair value of its long-lived assets, including its corporate headquarters building and amortizable intangible assets. For the corporate headquarters building, the Company used the sales comparison approach and the income capitalization approach, each equally weighted, to arrive at a fair value estimate. The Company determined that the carrying value of the property was not recoverable and exceeded its fair value, and it recorded an impairment charge of \$18.8 million. For the amortizable intangible assets, which included acquired technology, the Company estimated a negligible fair value using a relief from royalty method and recorded an impairment charge of \$0.8 million related to all of the remaining net book value of this acquired technology.

As part of the goodwill impairment test for the fourth quarter of 2008, the Company determined that step two of the impairment analysis was required because the estimated carrying value of its net assets, subsequent to the impairment of long-lived assets noted above, exceeded its estimated fair value. The second step of the goodwill impairment test compared the implied fair value of the goodwill with the carrying amount of that goodwill. When the carrying amount of the goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of

goodwill recognized in a business combination. The determination of the amount of the impairment required that the fair values of our assets and liabilities be determined as if the Company had been acquired in a hypothetical business combination with a purchase price equal to the fair value of the reporting unit as of December 31, 2008. As a result of this analysis, the Company recorded an impairment charge of \$34.7 million related to all of the recorded goodwill.

In the fourth quarter of 2010 and 2009, the Company tested the goodwill acquired and determined there was no impairment.

## 7. Business Combinations.

### *Acquisition of Teranetics, Inc.*

On October 1, 2010, the Company acquired all of the outstanding shares of capital stock of Teranetics, Inc. (Teranetics), a privately held fabless provider of high performance mixed-signal semiconductors.

Teranetics' corporate headquarters were located in San Jose, California. Founded in 2003, Teranetics provides state-of-the-art silicon solutions that enable 10 Gigabit per second rates over widely installed low-cost CAT6 and CAT6a cabling. Teranetics' products allow data centers and enterprise networks to increase scalability and improve throughput while dramatically lowering the cost of ownership for 10 Gigabit per second links.

The Company believes that this acquisition provides a third leadership position into its product portfolio. There are major synergies in the design process, technology, sales, marketing, and supply chains. The company can leverage its technology and IP with PCI Express and 10 Gigabit Ethernet to bring out new architectures for the data centers. Teranetics' customers include Arista Networks, Cisco, DirecTV, Extreme Networks and Intel.

The total consideration paid for the transaction was \$34.7 million, consisting of 7.4 million shares at \$3.71 per share, the closing price on October 1, 2010, the date the transaction was closed, cash of \$1.0 million and assessed fair value of two promissory notes in aggregate amount of approximately \$6.7 million, less \$1.3 million allocated to Teranetics' chief executive officer's bonus.

The following table summarizes the consideration paid for Teranetics:

	<u>Common Shares of PLX</u>	<u>Cash at Closing</u>	<u>Notes A and B</u>	<u>Bridge Note</u>	<u>Total</u>
Purchase price.....	\$ 26,406	\$ 887	\$ 6,386	\$ 1,000	\$ 34,679
Allocated to CEO bonus.....	1,048	35	264		1,347
Total	<u>\$ 27,454</u>	<u>\$ 922</u>	<u>\$ 6,650</u>	<u>\$ 1,000</u>	<u>\$ 36,026</u>

As a part of the merger agreement, the Company acquired all of the outstanding shares of capital stock of Teranetics in exchange for 7.4 million shares of common stock of PLX, cash of approximately \$1.0 million and two promissory notes in the aggregate principal amount of \$6.9 million. One note is for the principal amount of approximately \$1.5 million and is due 3 years after the closing of the Merger, and the other note is for the principal amount of \$5.4 million and is due 12 months after the closing of the Merger (this \$5.4 million note is to be delivered into an escrow fund that may be used to satisfy indemnity obligations owed to PLX). The stated interest rate on the promissory notes is 0.46%. In accordance with the business combinations guidance, the promissory notes were fair valued based on market interest rates and the assessed fair value of the promissory notes was approximately \$6.7 million.

Under a prior employment agreement between Teranetics and its chief executive officer, the chief executive officer was entitled to receive a bonus for prior services rendered based on the merger consideration amount. The agreement provided that the chief executive officer was to receive his distribution in the same manner and timing in which the shareholders of Teranetics receive their purchase consideration and did not require continuing employment after the merger. The chief executive officer's bonus of approximately \$1.3 million is included in the stock, cash and promissory notes issued.

The Company extended a bridge loan to Teranetics in the amount of \$1.0 million during negotiations to support the working capital needs of Teranetics and in contemplation of the Merger. Upon closing of the Merger, the \$1.0 million bridge note was also considered part of the merger consideration provided as a component of the purchase price.

In addition to consideration transferred to former stockholders of Teranetics, PLX made payments at closing in the amount of \$13.2 million to repay debt and other assumed liabilities. The payments consisted of \$11.2 million for convertible promissory note and line of credit debt and \$2.0 million of payables for legal and investment banking services performed for Teranetics prior to closing and in connection with the merger.

The Company agreed to pay the former Teranetics employees a bonus pool under the Teranetics Employee Retention Plan which required continued employment in order to be earned by individual employees. Under the final plan, a total of \$5.3 million was carved out of the consideration as a bonus pool to be paid out over a period of time to participants who were employees of Teranetics at the time of a change in control, provided they fulfilled certain future service requirements for the combined entity. As of December 31, 2010, the Company has paid \$2.6 million for the initial 50% of the retention bonus, of which \$0.9 million is prepaid for first quarter 2011 services. The Company also accrued \$1.3 million for the pro-rata portion of the remaining \$2.7 million commitment based on the required service period. If any individual leaves prior to the completion of the required service period, any amounts forfeited by the individual are added back to the bonus pool and re-allocated to the remaining participants. There is still an additional \$1.4 million of commitments under this agreement not accrued as of December 31, 2010 which is being accrued as a liability and accreted to expense on a pro-rata basis over the remaining associated future service period ending October 1, 2011. Approximately \$3.0 million of retention bonus expense was recorded in 2011. See Notes 8 and 13 to the consolidated financial statements for additional information.

Recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents .....	\$	112
Trade receivables .....		443
Inventories .....		444
Other current assets .....		360
Property, plant and equipment .....		673
Identifiable intangible assets .....		30,500
Other assets .....		42
Trade and other payable .....		(2,919)
Accruals and other liabilities .....		(15,021)
Total identifiable net assets .....	\$	14,634
Goodwill .....		20,045
	\$	<u>34,679</u>

The fair value of assets acquired includes trade receivables of \$0.4 million. The gross amount due under sales related contracts was \$0.4 million, of which none was expected to be uncollectible.

The identified intangible assets consist of core technology, trade name and customer relationships. The valuation of the acquired intangibles is classified as a level 3 measurement under the fair value measurement guidance, because the valuation was based on significant unobservable inputs and involved management judgment and assumptions about market participants and pricing. In determining fair value of the acquired intangible assets, we determined the appropriate unit of measure, the exit market and the highest and best use for the assets. The fair value was estimated using an incremental income approach.

The goodwill arising from the acquisition is largely attributable to the synergies expected to be realized after the Company's acquisition and integration of Teranetics. The Company only has one operating segment, semiconductor products, so all of the goodwill was assigned to the one segment. Goodwill is not expected to be deductible for tax purposes.



Teranetics contributed revenues and gross profit of \$1.0 million and \$0.3 million, respectively, to the Company for the year ended December 31, 2010. The Company integrated Teranetics operations shortly after acquisition and was fully integrated as of December 31, 2010 and it is therefore not practicable to identify earnings associated with Teranetics' contribution.

The following unaudited pro forma summary presents consolidated information of the Company as if the business combination occurred on January 1, 2009 (in thousands).

	<b>Unaudited Pro Forma</b>	
	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Net revenues.....	\$ 119,198	\$ 86,286
Net loss.....	\$ (17,690)	\$ (53,112)

The unaudited pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results of Teranetics to reflect the amortization that would have been recorded assuming the intangible assets had been acquired on January 1, 2009.

#### ***Acquisition of Oxford Semiconductor, Inc.***

On January 2, 2009, the Company acquired all of the outstanding shares of capital stock of Oxford Semiconductor, Inc. (Oxford), a privately held fabless provider of industry-leading silicon and software for the consumer and small office/home office (SOHO) storage markets.

Established in 1992, Oxford has been providing silicon and software solutions to interconnect digital systems, including PCIe, USB, 1394, Ethernet, Serial ATA and external Serial ATA. Oxford's corporate headquarters were located in Milpitas, California, with most of its employees based in Oxford's design center in Abingdon, United Kingdom. The consumer and SOHO external storage markets account for the majority of Oxford's sales. Oxford provides advanced system-on-chip solutions for both direct-attached storage (DAS) and network-attached storage (NAS) external drives. Oxford's customers include Seagate, Western Digital, LaCie, Hewlett Packard, and Macpower.

The Company believed that through this acquisition, it would gain a leadership position in the growing consumer external storage market. Major synergies include common interconnect technologies and design flows, sales, marketing and support systems, and supply chains. Most importantly, the Company can create innovative products that combine the considerable intellectual property and industry knowledge of Oxford and PLX.

The total consideration paid for the transaction was \$16.4 million, consisting of 5.6 million shares at \$1.82 per share, the closing price on January 2, 2009, the date the transaction was closed, and the fair value of the contingently convertible debt liability as of January 2, 2009, of \$6.2 million.

As a part of the merger agreement, the Company acquired all of the outstanding shares of capital stock of Oxford in exchange for 5.6 million shares of common stock of PLX and a promissory note in the principal amount of \$14.2 million (the "Note") that was to be satisfied by either (i) the issuance of an additional 3.4 million shares of common stock of PLX upon approval of PLX's stockholders, or (ii) the repayment of the principal amount of the Note if such stockholder approval was not obtained by June 30, 2009. On May 22, 2009 at a special meeting of the shareholders, the shareholders approved the conversion of the \$14.2 million note into 3.4 million shares of common stock of the Company.

Under the revised business combinations guidance, which became effective for the Company on January 1, 2009, the contingently convertible promissory note was considered contingent consideration which was recorded at fair value as of the acquisition date, and changes to the fair value of contingent consideration were reflected through the statement of operations. The fair value of the convertible note on the acquisition date was based on that day's closing stock price of \$1.82 per share. On March 31, 2009, the convertible note was remeasured to fair value. Based on the closing stock price of \$2.17 as of March 31, 2009, the fair value of the convertible note was \$7.4 million. The change in fair value of \$1.2 million was recognized as a loss in the quarter ended March 31, 2009. On May 22, 2009, the date

of the conversion, the closing stock price was \$2.95. The fair value of the 3.4 million shares was \$10.0 million. The change in fair value of \$2.7 million was recognized as a loss in the second quarter of 2009.

The following table summarizes the consideration paid for Oxford and the amounts of the assets acquired and liabilities assumed at the acquisition date.

Fair value of consideration transferred (in thousands):

5,600,000 common shares of PLX.....	\$	10,192
Contingent consideration.....		6,188
Fair value of total consideration.....	\$	<u>16,380</u>

Recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents.....	\$	4,392
Trade receivables.....		1,286
Inventories.....		2,677
Tax receivable.....		835
Licensed IP.....		2,499
Property, plant and equipment.....		1,357
Identifiable intangible assets.....		9,056
Other assets.....		482
Trade and other payable.....		(3,163)
Accruals and other liabilities.....		(4,408)
Total identifiable net assets.....	\$	<u>15,013</u>
Goodwill.....		1,367
	\$	<u>16,380</u>

The fair value of assets acquired includes trade receivables of \$1.6 million. The gross amount due under sales related contracts was \$1.6 million, of which \$0.3 million was expected to be uncollectible as a result of recognized credits due to distributors for the difference in the price they previously purchased products for from Oxford Semiconductor, Inc. and the authorized quote price based on the distributors' sell through activity. The gross amount under a prior IP royalty arrangement was \$0.3 million and the full amount was expected to be uncollectible.

The identified intangible assets consist of core technology, trade name and customer relationships. The valuation of the acquired intangibles was classified as a level 3 measurement under the fair value measurement guidance, because the valuation was based on significant unobservable inputs and involved management judgment and assumptions about market participants and pricing. In determining fair value of the acquired intangible assets, we determined the appropriate unit of measure, the exit market and the highest and best use for the assets. The fair value was estimated using an incremental income approach.

The goodwill arising from the acquisition was largely attributable to the synergies expected to be realized after the Company's acquisition and integration of Oxford. The Company only has one operating segment, semiconductor products, so all of the goodwill was assigned to the one segment. Goodwill is not expected to be deductible for tax purposes.

Oxford contributed revenues and gross profit of \$23.7 million and \$12.7 million, respectively, to the Company for the year ended December 31, 2010 and \$25.7 million and \$13.1 million, respectively, to the Company for the year ended December 31, 2009. Oxford operations were fully integrated as of the end of the first quarter of 2009 and it is therefore not practicable to identify earnings associated with Oxford's contribution.

Because the acquisition took place on January 2, 2009, which was in substance the beginning of the year, no pro forma data is presented for the year ended December 31, 2009 as the Company's historical statement of operations already includes the results of Oxford for the entire period. The following unaudited pro forma summary presents consolidated information of the Company as if the business combination occurred on January 1, 2008 (in thousands).

	<b>Unaudited Pro Forma</b>	
	<b>Year Ended December 31 2008,</b>	
Revenue.....	\$	118,071
Net loss.....	\$	(67,691)

The unaudited pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results of Oxford to reflect the amortization that would have been recorded assuming the intangible assets had been acquired on January 1, 2008.

## **8. Acquisition and Restructuring Costs**

### *Acquisition Costs*

For the years ended December 31, 2010 and 2009, the Company incurred \$0.9 million and \$0.4 million, respectively, of third party acquisition related costs, primarily for outside legal and accounting costs. As a result of the adoption of the revised accounting guidance related to business combinations on January 1, 2009, the Company expensed acquisition related costs of \$0.8 million in 2008 associated with the January 2, 2009 acquisition of Oxford. The Company also recorded \$3.0 million of retention bonus expense associated with the acquisition of Teranetics for the year ended December 31, 2010. See Notes 7 and 13 to the consolidated financial statements for additional information. These expenses were included in operating expenses under acquisition related costs in the Company's Consolidated Statement of Operations for the year ended December 31, 2010, 2009 and 2008.

### *Severance*

In the year ended December 31, 2009, the Company recorded approximately \$2.1 million of severance and benefit related costs, included in acquisition and restructuring related costs in the Consolidated Statement of Operations, related to the termination of 61 employees as a result of the redundancy issue associated with the acquisition of Oxford and the downsizing of the Company's R&D facility in Singapore. As of December 31, 2009 essentially all of the \$2.1 million severance and benefit related costs were paid.

### *Lease Termination*

In January 2009, associated with the acquisition of Oxford, the Company assumed a building lease in Milpitas, California which was vacated upon acquisition. The Company has not been able to find a sublease for this property given the current market conditions and available space in the area. The future lease costs for the property were \$0.3 million which extended through February 2010. The Company recorded the liability, included in other accrued expenses in the Consolidated Balance Sheet, for the costs to be incurred at the future cash payment amount of \$0.3 million as the total cash payment is not materially different from the fair value. The lease accrual charge of \$0.3 million was recorded in the Consolidated Statement of Operations in the first quarter of 2009. The accrued lease liability was paid in full in January 2010.

## **9. Other Intangibles Assets**

As discussed in Note 7 above, the acquisition of Teranetics and Oxford included the acquisition of \$30.5 million and \$9.1 million, respectively, of identifiable intangible assets. All of these intangibles are subject to amortization. There is no estimated residual value on any of the intangible assets.

The following table summarizes the gross carrying amount and accumulated amortization for each major intangible class and the weighted average amortization period, in total and by major intangible asset class (in thousands).

	2010			Amortization Method	Estimated Useful Life
	Gross Carrying Value	Accumulated Amortization	Net Value		
Existing and core technology					
Oxford USB and Serial Connectivity.....	\$ 4,600	\$ (3,833)	\$ 767	Accelerated	3 years
Oxford Network Attached Storage Connectivity.....	3,800	(1,520)	2,280	Straight-line	5 years
Teranetics Network PHY.....	20,100	(838)	19,262	Straight-line	6 years
Trade Name					
Oxford.....	600	(600)	-	Straight-line	2 years
Teranetics.....	200	(25)	175	Straight-line	2 years
Customer Relationships					
Oxford.....	56	(56)	-	Accelerated	1 year
Teranetics.....	10,200	(1,200)	9,000	Accelerated	3.5 years
Totals.....	<u>\$ 39,556</u>	<u>\$ (8,072)</u>	<u>\$ 31,484</u>		4.8 years

	2009			Amortization Method	Estimated Useful Life
	Gross Carrying Value	Accumulated Amortization	Net Value		
Existing and core technology					
Oxford USB and Serial Connectivity.....	\$ 4,600	\$ (2,300)	\$ 2,300	Accelerated	3 years
Oxford Network Attached Storage Connectivity.....	3,800	(760)	3,040	Straight-line	5 years
Oxford Trade Name.....	600	(300)	300	Straight-line	2 years
Oxford Customer Relationships.....	56	(56)	-	Accelerated	1 year
Totals.....	<u>\$ 9,056</u>	<u>\$ (3,416)</u>	<u>\$ 5,640</u>		3.8 years

The amortization expense was \$4.7 million, \$3.4 million and \$0.7 million for the years ended December 31, 2010, 2009 and 2008, respectively. Amortization expense for the year ended December 31, 2008 was related to the amortization of intangibles acquired through our prior acquisitions of HiNT Corporation and NetChip Technology, Inc. As of December 31, 2008, the Company determined that these assets were impaired and the remaining carrying value of \$0.8 million was written off.

Estimated future amortization expense is as follows (in thousands):

2011.....	\$ 9,364
2012.....	6,923
2013.....	5,423
2014.....	3,912
2015.....	3,350
2016.....	2,512
Total.....	<u>\$ 31,484</u>

## 10. Stock Repurchase

In September 2002, the Company's Board of Directors approved a repurchase of up to 2,000,000 shares of common stock. In July 2008, the Company's Board of Directors authorized an additional 2,000,000 shares under the repurchase program. At the discretion of management, the Company can repurchase the shares from time to time in the open market or in privately negotiated transactions. Approximately 774,000 shares were repurchased for approximately \$1.9 million in cash in 2002 and 2003. The Company did not repurchase any additional shares from January 1, 2004 through December 31, 2007. In 2008, the Company repurchased 956,000 shares for approximately \$6.5 million. The Company did not repurchase any additional shares in 2009 and 2010.

## 11. Retirement Savings Plan

The Company sponsors the PLX Technology, Inc. 401(k) Plan (the "Plan"). The Plan allows all full-time employees to contribute up to 100% of their annual compensation. However, employee contributions are limited to a maximum annual amount established by the Internal Revenue Service. Beginning in 1996, the Company made a matching contribution calculated at 50 cents on each dollar of the first 6% of the participant's compensation. In January 2009, the Company announced that it suspended the matching contributions effective February 1, 2009 as a result of macroeconomic conditions. The Company reinstated its matching contributions in July 2010. The Company's expenses relating to the plan were approximately \$0.2 million, \$49,000 and \$0.5 million for 2010, 2009 and 2008, respectively.

As a result of the acquisition of Oxford, the Company contributed to the U.K. national pension program. The Company expensed approximately \$0.3 million in both 2010 and 2009, respectively, relating to this program.

In January 2009, the Company established the PLX Technology, Inc. Employee Stock Ownership Plan (the "ESOP"). The ESOP is non-contributory and provides cash contribution at a percent of eligible U.S. compensation that is determined annually by the Board of Directors. In 2009, the Company contributed 2% of eligible compensation up to \$3,000 per employee. The expense recorded for contributions to this plan was approximately \$0.3 million in both 2010 and 2009.

## 12. Income Taxes

The provision (benefit) for income taxes consists of the following (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Federal:			
Current.....	\$ 350	\$ (120)	\$ 16
Deferred.....	-	(160)	-
	<u>350</u>	<u>(280)</u>	<u>16</u>
State:			
Current.....	36	21	69
Deferred.....	-	-	-
	<u>36</u>	<u>21</u>	<u>69</u>
Foreign:			
Current.....	<u>47</u>	<u>65</u>	<u>41</u>
	47	65	41
Total.....	<u>\$ 433</u>	<u>\$ (194)</u>	<u>\$ 126</u>

The provision (benefit) for income taxes differs from the amount of income taxes determined by applying the U.S. statutory federal income tax rate as follows (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Tax expense (benefit) at the U.S. statutory rate....	\$ (1,000)	\$ (6,648)	\$ (19,741)
State taxes (net of federal benefit).....	36	(798)	(2,420)
Goodwill impairment.....	-	-	13,424
Change in net operating losses.....	1,903	-	-
Research and development credit.....	(1,512)	(1,125)	(1,307)
True ups.....	36	228	(65)
Change in valuation allowance.....	754	6,436	10,123
Fair value remeasurement of note payable.....	-	1,345	-
Other individually immaterial items.....	216	368	112
	<u>\$ 433</u>	<u>\$ (194)</u>	<u>\$ 126</u>

During the year ended December 31, 2010, the Company's deferred tax asset valuation allowance increased by \$26.1 million. The Company's deferred tax asset valuation allowance increased by \$9.3 million and \$10.1 million in 2009 and 2008, respectively. The increase from December 31, 2009 to December 31, 2010 relates to acquired assets currently unrealizable, utilization of net operating losses and generation of foreign losses. The increase from December 31, 2008 to December 31, 2009 relates to acquired assets unrealizable in 2009 and the 2009 generated net operating loss.

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Deferred tax assets:		
Accrued expenses and reserves.....	\$ 2,686	\$ 2,667
Net operating loss carryforwards.....	28,477	11,302
Research and development credits.....	15,307	11,870
Depreciation.....	21,562	5,844
Share-based compensation.....	3,965	3,634
Other.....	213	131
Gross deferred tax assets:	<u>72,210</u>	<u>35,448</u>
Valuation Allowance.....	<u>(59,305)</u>	<u>(33,192)</u>
	<u>12,905</u>	<u>2,256</u>
Deferred tax liabilities:		
Acquisition related intangibles.....	<u>(12,905)</u>	<u>(2,256)</u>
Total net deferred tax assets.....	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2010, the Company had federal and state net operating loss carryforwards of \$51.6 million and \$72.7 million, respectively. During the fourth quarter of 2010, the Company concluded its analysis under Internal Revenue Code Section 382 for federal net operating losses and determined that utilization of the net operating loss and credit carryforwards are subject to various annual limitations. The annual limitation may result in the expiration of net operating loss carryforwards before utilization. Net operating loss carryforwards will expire at various dates beginning in 2012 through 2029. In addition, as of December 31, 2010, the Company had federal and state tax credit carryforwards of approximately \$8.0 million and \$16.1 million, respectively. The federal research and development credits will expire beginning in 2019 and the state credits will carryforward indefinitely. The Company also has approximately \$22.3 million of net operating loss carryforwards from its UK operations.

Approximately \$2.6 million of the federal and \$1.6 million of the state net operating loss carryforward relate to excess tax deductions from stock options which have not yet been realized. The accounting guidance for share-based compensation prohibits recognition of a deferred income tax asset for excess tax benefits due to stock option exercises that have not yet been realized through a reduction in income tax payable.

Due to operating losses incurred, the Company created a full valuation allowance as of December 2002 for deferred tax assets. As of December 2010, a valuation allowance continues to be recorded for the net deferred tax asset based on management's assessment that the realization of deferred tax assets is uncertain due to the history of losses, the variability of operating results and the inability to conclude that it is more likely than not that sufficient taxable income would be generated in future periods to realize those deferred tax assets. The Company will maintain a full valuation allowance until sufficient positive evidence exists to support a reversal of the valuation allowance.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Unrecognized tax benefits balance, beginning of period.....	\$ 3,662	\$ 2,208	\$ 1,895
Gross increase (decrease) for tax positions for prior year.....	19	876	26
Gross increase for tax positions for current year.....	357	578	287
Unrecognized tax benefits balance, end of period.....	<u>\$ 4,038</u>	<u>\$ 3,662</u>	<u>\$ 2,208</u>

Future changes in the remaining balance of unrecognized tax benefits will have no impact on the effective tax rate as it is subject to a full valuation allowance.

The Company does not have any material accrued interest or penalties associated with any unrecognized tax benefits. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change within the next twelve months.

The Company is subject to taxation in the US and various state and foreign jurisdictions. The tax years 1997-2009 remain open to examination by the federal and state tax authorities due to certain acquired net operation loss and overall credit carryforward positions.

The Company has made no provision for U.S. income taxes on approximately \$0.2 million of cumulative undistributed earnings of certain foreign subsidiaries because it is the Company's intention to indefinitely reinvest such earnings. If such earnings were distributed, the Company would accrue additional taxes of approximately \$0.1 million. Foreign operations generated a pre-tax loss of \$6.3 million and \$8.8 million in 2010 and 2009, respectively, and pre-tax income of \$81,000 in 2008.

### 13. Commitments and Contingencies

The Company uses several contract manufacturers and suppliers to provide manufacturing services for its products. As of December 31, 2010, the Company has purchase commitments for inventory with these contract manufacturers and suppliers of approximately \$9.6 million. These inventory purchase commitments are placed on a sales order basis with lead times ranging from 4 to 16 weeks to meet estimated customer demand requirements.

The Company leases facilities, equipment, software tools and intellectual property (IP) under non-cancelable operating or capital leases and service agreements. Future minimum payments under facility, equipment, software tool and IP leases and agreements at December 31, 2010 are as follows (in thousands):

	<b>Facility and</b>			
	<b>Equipment</b>	<b>Software</b>	<b>IP</b>	<b>Total</b>
2011.....	\$ 1,129	\$ 4,826	\$ 1,125	\$ 7,080
2012.....	751	2,134	450	3,335
2013.....	449	124	-	573
2014.....	449	-	-	449
2015.....	187	-	-	187
Total.....	<u>\$ 2,965</u>	<u>\$ 7,084</u>	<u>\$ 1,575</u>	<u>\$ 11,624</u>

Rental expense for all facility leases aggregated approximately \$1.0 million, \$1.0 million and \$0.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, the Company's capital leases consist of IP. Amortization expense relating to capital leases was approximately \$1.1 million and \$1.0 million in 2010 and 2009, respectively. Included in other assets are capital lease assets of \$1.3 million as of December 31, 2010 and is net of accumulated amortization of \$2.1 million. There were no capital leases in 2008.

In connection with the Teranetics acquisition, the Company has a commitment to pay the former Teranetics employees a bonus pool under the Teranetics Employee Retention Plan. In May 2010, the shareholders of Teranetics agreed to a Management Rights Plan, or carve-out, which provided in general terms that a portion of the consideration be paid by an acquirer in the event of a change in control to the then management of Teranetics, prior to any payments to stockholders of Teranetics. The Management Rights Plan was agreed to by the Teranetics' board and stockholders to ensure that Teranetics would have continued dedication and objectivity of their employees during potential change in control discussions, to provide employees with an incentive to continue their service and to maximize the value of Teranetics. On September 22, 2010, in contemplation of the closing of the Teranetics acquisition on October 1, 2010, the Teranetics board of directors formalized the Management Rights Plan with the execution of the Teranetics Employee Retention Plan. Under the Teranetics Employee Retention Plan, a total of \$5.3 million was carved out of the consideration as a bonus pool to be paid out over a period of time to participants who were employees of Teranetics at the time of a change in control, provided they fulfilled certain future service requirements for the combined entity. The initial 50% of the bonus pool was paid out upon closing and had a claw-back provision wherein if a participant did not remain employed with the combined entity for the earlier of their transition period or six months from the anniversary of the closing date, the Company could, at its sole discretion, require the participant to repay up to 100% of the bonus paid. The second 50% of the bonus pool is to be paid out as of the one-year anniversary of the closing date, or after the completion of participant's transitional employment period for transitional employees. If any individual leaves prior to the completion of the required service period, any amounts forfeited by the individual are added back to the bonus pool and re-allocated to the remaining participants. As of December 31, 2010, PLX had paid \$2.6 million for the initial 50% payment and had accrued \$1.3 million for a pro-rata portion based on the required service period. There is still an additional \$1.4 million of commitment under this agreement not accrued as of December 31, 2010 which is being accrued as a liability and accreted to expense on a prorata basis over the remaining associated future service period ending October 1, 2011. In January 2011, the Company paid \$0.8 million of the remaining \$2.7 million and expects \$1.9 million to be paid in October 2011.

On February 2, 2010, Internet Machines LLC ("Internet Machines") filed a complaint, which has been served on PLX, entitled Internet Machines LLC v. Alienware Corporation, et al., in the United States District Court for the Eastern District of Texas, alleging infringement by PLX and the other defendants in the lawsuit of two patents held by Internet Machines. The complaint in the lawsuit seeks unspecified compensatory damages, treble damages and attorneys' fees, as well as injunctive relief against further infringement of the Internet Machines patents.

On May 14, 2010, the Company filed its answer to the live complaint and asserted counterclaims, seeking declaratory judgments of non-infringement and invalidity of the patents-in-suit. On Wednesday, October 13, 2010, the Company filed a motion to transfer venue of this action to the Northern District of California, but the Court has



not yet ruled on that motion. Further, on December 6, 2010, the Court held a case-management conference and subsequently entered a scheduling order in this matter, setting trial for February 2012. While it is not possible to determine the outcome of that motion to transfer or the ultimate outcome of this litigation, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position. The Company believes that any ultimate liability in this litigation will not have a material impact on its financial position or results of operations.

On October 17, 2010, Internet Machines LLC ("Internet Machines") filed a separate complaint, which has been served on PLX, entitled Internet Machines LLC v. ASUS Computer International, et al., again in the United States District Court for the Eastern District of Texas, alleging infringement by PLX and the other defendants in the lawsuit of three patents held by Internet Machines. The complaint in the lawsuit seeks unspecified compensatory damages, treble damages and attorneys' fees, as well as injunctive relief against further infringement of the Internet Machines patents.

On December 28, 2010, the Company filed its answer to the live complaint and asserted counterclaims, seeking declaratory judgments of non-infringement and invalidity of the patents-in-suit. The Court has not yet set this matter for a case-management conference and no trial date has been set. While it is not possible to determine the outcome of that motion to transfer or the ultimate outcome of this litigation, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend our position. The Company is unable to estimate a range of possible loss and believes that any ultimate liability in this litigation will not have a material impact on its financial position or results of operations.

#### **Warranty and Indemnification Provisions**

Changes in sales warranty reserve are as follows (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Balance, beginning of period.....	\$ 80	\$ 73	\$ 66
Warranty costs incurred.....	(166)	(212)	(234)
Additions related to current period sales.....	141	219	241
Additions related to acquisition.....	65	-	-
Balance, end of period.....	<u>\$ 120</u>	<u>\$ 80</u>	<u>\$ 73</u>

Warranty costs, which relate to product quality issues, remained consistent and insignificant during the periods presented.

The Company enters into standard indemnification agreements with many of its customers and certain other business partners in the ordinary course of business. These agreements include provisions for indemnifying the customer against any claim brought by a third-party to the extent any such claim alleges that a PLX product infringes a patent, copyright or trademark, or violates any other proprietary rights of that third-party. It is not possible to estimate the maximum potential amount of future payments the Company could be required to make under these indemnification agreements. To date, the Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. No liability for these indemnification agreements has been recorded at December 31, 2010 or 2009.

#### **14. Segments of an Enterprise and Related Information**

The Company has one operating segment, the sale of semiconductor devices. The Chief Executive Officer 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. Substantially all of the Company's assets are located in the United States.

Revenues by geographic region based on customer location were as follows (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revenues:			
China.....	\$ 33,109	\$ 29,131	\$ 10,650
Taiwan.....	21,757	10,654	10,354
United States.....	20,622	12,971	18,856
Singapore.....	15,692	11,803	14,417
Europe.....	13,042	7,994	10,339
Other Asia Pacific.....	11,926	8,331	10,282
The Americas - excluding United States..	412	1,948	6,170
Total.....	<u>\$ 116,560</u>	<u>\$ 82,832</u>	<u>\$ 81,068</u>

Revenues by product type were as follows (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revenues:			
PCI Express products.....	\$ 54,361	\$ 31,819	\$ 38,052
Storage products.....	15,838	19,007	-
Network PHY products.....	1,020	-	-
Connectivity products.....	45,341	32,006	43,016
Total.....	<u>\$ 116,560</u>	<u>\$ 82,832</u>	<u>\$ 81,068</u>

There were no direct end customers that accounted for more than 10% of net revenues. Sales to the following distributors accounted for 10% or more of net revenues:

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Excelpoint Systems Pte Ltd.....	27%	25%	29%
Avnet, Inc.....	22%	12%	12%
Answer Technology, Inc.....	17%	12%	13%
Promate Electronics Co., Ltd.....	*%	15%	-

\* Less than 10%

## 15. Quarterly Financial Data (unaudited)

(In thousands, except per share amounts)

	Three Months Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010 (2)
Net revenues.....	\$ 28,819	\$ 29,721	\$ 30,234	\$ 27,786
Gross profit.....	\$ 16,348	\$ 17,489	\$ 17,927	\$ 16,336
Net income (loss).....	\$ 1,506	\$ 1,689	\$ 1,148	\$ (7,632)
Net income (loss) per basic share (1).....	\$ 0.04	\$ 0.05	\$ 0.03	\$ (0.17)
Net income (loss) per diluted share (1).....	\$ 0.04	\$ 0.04	\$ 0.03	\$ (0.17)

	Three Months Ended			
	March 31, 2009 (3)	June 30, 2009 (4)	September 30, 2009	December 31, 2009
Net revenues.....	\$ 16,457	\$ 18,178	\$ 21,559	\$ 26,638
Gross profit.....	\$ 8,946	\$ 10,102	\$ 12,139	\$ 15,745
Net income (loss).....	\$ (10,497)	\$ (9,056)	\$ (1,854)	\$ 2,605
Net income (loss) per basic share (1).....	\$ (0.31)	\$ (0.26)	\$ (0.05)	\$ 0.07
Net income (loss) per diluted share (1).....	\$ (0.31)	\$ (0.26)	\$ (0.05)	\$ 0.07

- (1) The sum of per share amounts for the quarters does not necessarily equal that for the year due to rounding as the computations were made independently.
- (2) Net loss for the quarter ended December 31, 2010 includes the increase of approximately \$10.9 million in operating expenses associated with the acquisition of Teranetics in October 2010
- (3) Net loss for the quarters ended March 31, 2009 is a result of decreased revenues due to the weekend global economy and includes acquisition and related restructuring expenses of \$2.6 million and a loss of \$1.2 million on the fair value remeasurement of the contingently convertible note payable associated with the acquisition of Oxford in January 2009.
- (4) Net loss for the quarter ended June 30, 2009 is a result of decreased revenues due to the weekend global economy and includes a loss of \$2.7 million on the fair value remeasurement of the contingently convertible note payable associated with the acquisition of Oxford in January 2009.

**SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS**  
(in thousands)

Description	Balance at Beginning of Period	Additions		Deductions Amount Recovered (Written off)	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts (1)		
Year ended December 31, 2010:					
Allowance for doubtful accounts.....	\$ 82	\$ -	\$ -	\$ -	\$ 82
Allowance for returns and price concessions.....	\$ 1,330	\$ -	\$ 788	\$ (1,925)	\$ 193
Allowance for ship and debits.....	\$ 735	\$ -	\$ 7,327	\$ (6,705)	\$ 1,357
Year ended December 31, 2009:					
Allowance for doubtful accounts.....	\$ 82	\$ -	\$ -	\$ -	\$ 82
Allowance for returns and price concessions.....	\$ 52	\$ -	\$ 2,318	\$ (1,040)	\$ 1,330
Allowance for ship and debits.....	\$ 249	\$ -	\$ 2,259	\$ (1,773)	\$ 735
Year ended December 31, 2008:					
Allowance for doubtful accounts.....	\$ 82	\$ -	\$ -	\$ -	\$ 82
Allowance for returns and price concessions.....	\$ 149	\$ -	\$ 152	\$ (249)	\$ 52
Allowance for ship and debits.....	\$ 285	\$ -	\$ 2,192	\$ (2,228)	\$ 249

(1) Amounts charged to other accounts are recorded as a reduction of revenue.



## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ralph H. Schmitt and Arthur O. Whipple, and each of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in- fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name and Signature</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ Ralph H. Schmitt</u> Ralph H. Schmitt	Chief Executive Officer and Director (Principal Executive Officer)	<u>March 4, 2011</u>
<u>/s/ Arthur O. Whipple</u> Arthur O. Whipple	Chief Financial Officer, Vice President, Finance and Secretary (Principal Financial and Accounting Officer)	<u>March 4, 2011</u>
<u>/s/ D. James Guzy</u> D. James Guzy	Director and Chairman of the Board of Directors	<u>March 4, 2011</u>
<u>/s/ Michael J. Salameh</u> Michael J. Salameh	Director	<u>March 4, 2011</u>
<u>/s/ Robert H. Smith</u> Robert H. Smith	Director	<u>March 4, 2011</u>
<u>/s/ John H. Hart</u> John H. Hart	Director	<u>March 4, 2011</u>
<u>/s/ Thomas J. Riordan</u> Thomas Riordan	Director	<u>March 4, 2011</u>
<u>/s/ Patrick Verderico</u> Patrick Verderico	Director	<u>March 4, 2011</u>

## EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated September 23, 2010, by and among the Company, Tunisia Acquisition Sub, Inc., Teranetics, Inc. and Nersi Nazari in his capacity as the representative of the securityholders, filed as Exhibit 2.1 to the Company's Form 8-K, filed on September 27, 2010, and incorporated herein by reference.
3.1	Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 333?71795), as amended, filed on March 25, 1999, and incorporated herein by reference.
3.2	Amended and Restated Bylaws of the Company, filed as Exhibit 3.1 to the Company's Form 8-K, filed on November 26, 2007 and incorporated herein by reference.
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation, dated May 24, 2004, filed as Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference.
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation, dated December 10, 2010, filed as Exhibit 3.1 to the Company's Form 8-K, filed on December 14, 2010, and incorporated herein by reference.
4.1	Reference is made to Exhibits 3.1, 3.3 and 3.4.
10.1*	Form of Indemnification Agreement between the Company and each of its officers and directors, filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333?71795), as amended, filed on February 4, 1999, and incorporated herein by reference.
10.2*	1998 Stock Incentive Plan, filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-71795), as amended, filed on February 4, 1999, and incorporated herein by reference.
10.3*	Amended and Restated PLX Technology, Inc. 1999 Stock Incentive Plan, attached as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 24, 2006, filed on April 18, 2006, and incorporated herein by reference.
10.4*	Offer Letter, dated as of October 15, 2008, by and between the Company and Ralph Schmitt, filed as Exhibit 10.1 to the Company's Form 8-K, filed on October 27, 2008, and incorporated herein by reference.
10.5*	PLX Technology, Inc. Employee Stock Ownership Plan, filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-160026), filed on June 17, 2009, and incorporated herein by reference.
10.6*	PLX Technology, Inc. 2008 Equity Incentive Plan (Amended and Restated), attached as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 26, 2010, filed on April 27, 2010, and incorporated herein by reference.
10.7*	PLX Technology, Inc. 2010 Variable Compensation Plan, attached as Appendix B to the Company's Definitive Proxy Statement on Schedule 14A for the Annual Meeting of Stockholders held May 26, 2010, filed on April 27, 2010, and incorporated herein by reference.
10.8	Promissory note for approximately \$1.5 million, issued by the Company, filed as Exhibit 10.1 to the Company's Form 8-K, filed on October 4, 2010, and incorporated herein by reference.
10.9	Promissory note for \$5.4 million, issued by the Company, filed as Exhibit 10.2 to the Company's Form 8-K, filed on October 4, 2010, and incorporated herein by reference.
14.1	Code of Ethics, filed as Exhibit 14.1 to the Company's Form 10-K, filed on March 3, 2006, and incorporated herein by reference.
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (See Signature page).
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, Chapter 63 of Title 18, United States Code, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, Chapter 63 of Title 18, United States Code, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Management contract or compensatory plan or arrangement.

## SUBSIDIARIES OF THE COMPANY

<u>Name of Entity</u>	<u>Incorporation or Organization</u>
PLX Technology Japan K.K.	Japan
PLX Technology Inc., China	China
PLX Technology Korea	Korea
Oxford Semiconductor, Inc.	United States
PLX Technology Ltd.	United Kingdom
Oxford Pte Ltd.	Singapore
PLX Technology Ltd.	Taiwan
Teranetics, Inc.	United States
Teranetics Semiconductor Pte Ltd.	India



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

PLX Technology, Inc.  
Sunnyvale, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-40722, 333-105745, 333-116702, 333-156760, 333-159668, 333-166014 and 333-170212) and Form S-8 (Nos. 333-88259, 333-38992, 333-38990, 333-67026, 333-97741, 333-105748, 333-116704, 333-135811, 333-153392, 333-160026 and 333-170213) of PLX Technology, Inc. of our reports dated March 3, 2011, relating to the consolidated financial statements and financial statement schedule, and the effectiveness of PLX Technology, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP  
San Francisco, California  
March 4, 2011

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ralph H. Schmitt certify that:

1. I have reviewed this annual report on Form 10-K of PLX Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ralph H. Schmitt

Dated: March 4, 2011

Ralph H. Schmitt

Chief Executive Officer

*(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Arthur O. Whipple certify that:

1. I have reviewed this annual report on Form 10-K of PLX Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Arthur O. Whipple

Dated: March 4, 2011

Arthur O. Whipple

Chief Financial Officer

*(Principal Financial and Accounting Officer)*



**CERTIFICATION  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of PLX Technology, Inc. (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission (the "Report"), I, Arthur O. Whipple, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: March 4, 2011

By:           /s/ Arthur O. Whipple            
          Arthur O. Whipple  
          Chief Financial Officer

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## Corporate Information

Additional copies of this annual report and the company's Form 10-K as filed with the Securities and Exchange Commission can be obtained without charge by contacting the Investor Relations Department of PLX at:

PLX Technology, Inc  
Investor Relations  
870 W. Maude Avenue  
Sunnyvale, California 94085  
Phone: 408-774-9060  
Fax: 408-774-2169  
Email: investor-relations@plxtech.com

To obtain the latest information on PLX Technology, including press releases and financial literature, visit the Investors section of our website at [www.plxtech.com](http://www.plxtech.com).

## CAUTIONARY STATEMENT

The statements contained in this annual report that are not purely historical are forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements include the statements regarding our expectations that (a) we will grow in 2011 and beyond, (b) we will add system-level functions to our products and, (c) trends in datacenter and bandwidth infrastructure will lead to our growth. Such forward-looking statements involve risks and uncertainties, which may cause results to differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ materially include risks and uncertainties such as changes in technological trends, reduced demand for our products due to adverse economic conditions in general or specifically affecting our markets, and changes in the trends of our product sales. All forward-looking statements and reasons why results may differ included in this annual report are made as of the date hereof, and we assume no obligation to update any such forward-looking statements or reasons why actual results may differ. These cautionary statements should be considered in the context of the factors listed above, as well as those disclosed from time to time in our reports on Forms 10-K, 10-Q and 8-K.

All rights reserved. ExpressLane, PLX Technology and the PLX Technology logo are registered trademarks of PLX Technology, Inc. All other product names that appear in this material are for identification purposes only and are acknowledged to be trademarks or registered trademarks of their respective companies. Other names and brands may be claimed as the property of others.

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## Board of Directors

James Guzy ..... Chairman of the Board  
Ralph Schmitt ..... Chief Executive Officer and Director  
John Hart ..... Director  
Thomas Riordan ..... Director  
Michael Salameh ..... Director  
Robert Smith ..... Director  
Patrick Verderico ..... Director

## Executive Management

Ralph Schmitt ..... Chief Executive Officer  
Lawrence Chisvin ..... Chief Operating Officer  
Arthur Whipple ..... Chief Financial Officer  
Kenneth Murray ..... Vice President, Human Resources  
David Raun ..... Vice President, Marketing  
and Business Development  
Gene Schaeffer ..... Vice President, Sales  
Mike Grubisich ..... Vice President, Operations  
Vijay Meduri ..... Vice President Engineering, Switching  
James Tout ..... Vice President Engineering, Storage  
Sridhar Begur ..... Vice President Engineering, PHY  
Jose Tellado ..... Vice President Systems Engineering, PHY  
John Dring ..... Vice President Engineering, Architecture  
and Applications, PHY

## Independent Accountants

BDO Seidman, LLP  
San Francisco, California

## Legal Counsel

Baker & McKenzie, LLP  
San Francisco, California

## Registrar and Transfer Agent

Computershare, Ltd  
Providence, RI  
Website: [www.computershare.com](http://www.computershare.com)  
Telephone: +1 781-575-2879

## Common Stock Symbol

NASDAQ: PLXT

## Annual Meeting

May 25, 2011 - Corporate Headquarters

## Corporate Headquarters

PLX Technology  
870 W. Maude Ave  
Sunnyvale, CA 94085  
USA  
Website: [www.plxtech.com](http://www.plxtech.com)  
Telephone: +1-408-774-9060

**PLX Technology, Inc.**  
**870 W. Maude Ave**  
**Sunnyvale, CA 94085**  
**USA**  
**[www.plxtech.com](http://www.plxtech.com)**

**AR-PLX-2010**