PROXY PAPER

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Exar Corporation

NASDAQ: EXAR
Industry: Semiconductors
Meeting Date: October 27, 2005
Record Date: September 8, 2005

2005 Annual Meeting Management Proxy (White Card)

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	Do Not Vote
1.01	Elect Richard H. Koppes	For	Do Not Vote
1.02	Elect Richard Previte	For	Do Not Vote
1.03	Elect Thomas H. Werner	For	Do Not Vote
2.00	Shareholder Proposal Regarding Repealing a Classified Board	Against	Do Not Vote

2005 Annual Meeting Dissident Proxy (Gold Card)

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	Do Not Vote	Split
1.01	Elect Guy W. Adams	Do Not Vote	For
1.02	Elect Richard L. Leza, Sr.	Do Not Vote	Do Not Vote
1.03	Elect Pete Rodriguez	Do Not Vote	For
2.00	Shareholder Proposal Regarding Repealing a Classified Board	Do Not Vote	For

Note:	We recommend that shareholders support dissident nominees Adams and Rodriguez, as well as management nominee Koppes. In order to split votes between the two proxy cards, Glass Lewis recommends that shareholders contact their proxy-voting agent to arrange for votes to be cast for these nominees.

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Exar Corporation
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Fremont, CA 94538
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Phone: (510) 668-7000
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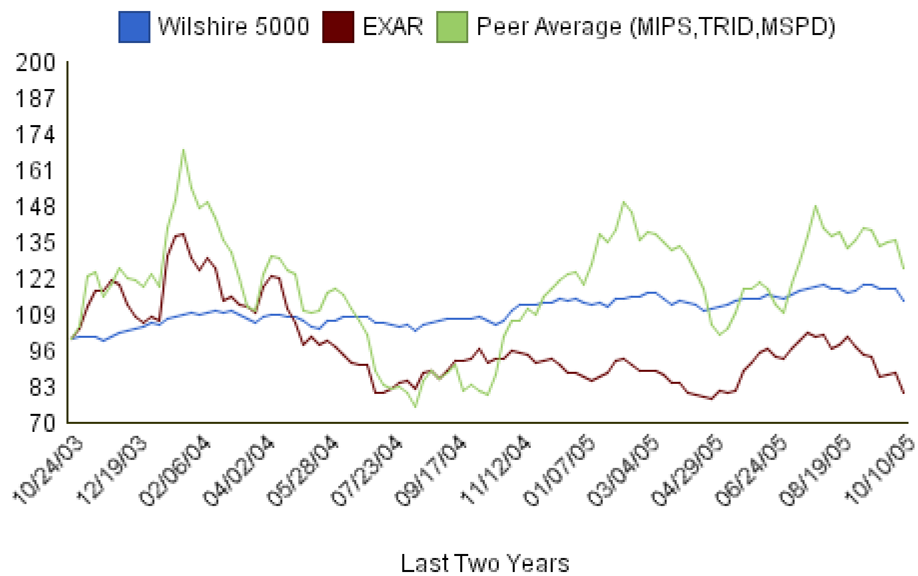
Ticker: EXAR
Cusip: 300645108
Exchange: NASDAQ
Employees: 268

Indexed Stock Price



Company Description
Exar Corporation designs, develops and markets high-performance, high-bandwidth physical interface and access control solutions that facilitate the aggregation and transport of signals in access, metro and wide area networks over the worldwide communications infrastructure. The Company's analog and digital design expertise, system-level knowledge and standard complementary metal oxide semiconductors (CMOS) process technologies provides original equipment manufacturers with highly integrated circuits (ICs) addressing standards, such as T/E carrier, asynchronous transfer mode (ATM) and synchronous optical network/synchronous digital hierarchy (SONET/SDH). In addition, Exar has a portfolio of clock and timing products targeted at wireless base stations, network switches and routers. The Company also provides serial communications solutions comprised of low-voltage, multi-channel universal asynchronous receiver transmitters (UARTs).
Source: FactSet

Top 19 Institutional Holders

	Holder	% Owned
1.	Royce & Associates LLC	13.3%
2.	Franklin Advisers, Inc.	12.4%
3.	Dimensional Fund Advisors, Inc.	9.4%
4.	T. Rowe Price Associates, Inc. (MD)	8.6%
5.	Westfield Capital Management Co. LLC	7.4%
6.	Barclays Global Investors, N.A.	5.1%
7.	Fidelity Management & Research Co.	4.8%
8.	Lazard Asset Management (US)	4.4%
9.	Alliance Capital Management	3.9%
10.	TCW Asset Management Co.	3.4%
11.	Evergreen Investment Management Co., Inc.	3.2%
12.	Dreyfus Investment Advisors, Inc.	2.4%
13.	Vanguard Group, Inc.	2.3%
14.	Roxbury Capital Management LLC	2.0%
15.	Broadview Advisors LLC	2.0%
16.	Columbia Management Advisors, Inc.	1.9%
17.	Friess Associates LLC	1.8%
18.	SSgA Funds Management	1.5%
19.	UBS Global Asset Management (Americas), Inc.	1.5%

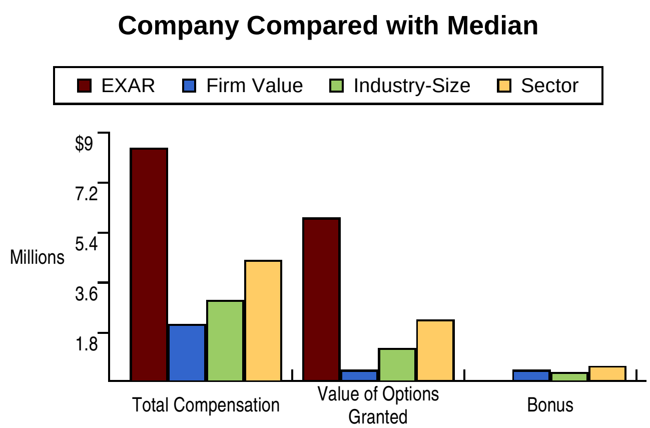
Competitors / Peer Comparison[1]

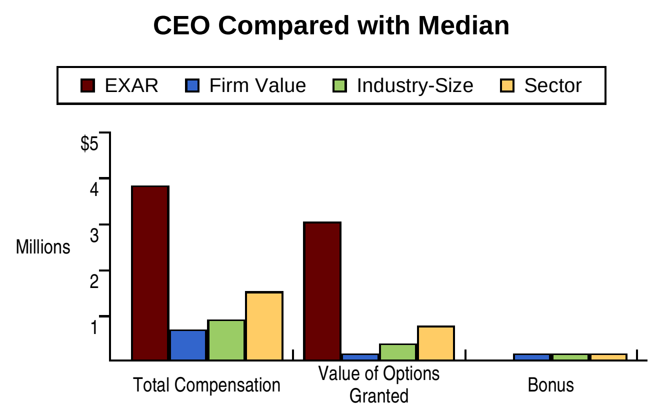
	Exar Corporation	MIPS Technologies, Inc.	Trident Microsystems	Mindspeed Technologies, Inc.
Ticker	EXAR	MIPS	TRID	MSPD
Closing Price (10/14/05)	$ 12.61	$ 4.73	$ 30.15	$ 2.06
Shares Outstanding (mm)	42.3	42.5	23.7	103.2
Market Capitalization (mm)	$ 533.9	$ 201.0	$ 714.8	$ 212.6
Enterprise Value (mm)	$ 96.4	$ 89.5	$ 622.7	$ 193.4
Revenue (LTM) (mm)	$ 57.0	$ 61.2	$ 69.0	$ 107.3
Growth Rate				
Revenue Growth Rate (5 Yrs)	-8.0%	-10.4%	-16.3%	0.0%
EPS Growth Rate (5 Yrs)	-29.2%	-11.6%	0.0%	0.0%
Profitability (LTM)				
Return on Equity (ROE)	1.2%	15.1%	-11.4%	-110.6%
Return on Assets (ROA)	1.1%	12.6%	-9.1%	-63.9%
Dividend Rate	0.0%	0.0%	0.0%	0.0%
Stock Performance				
1 Year Stock Perfomance	-11.8%	-16.1%	175.6%	3.5%
3 Year Stock Perfomance	5.0%	195.6%	1673.5%	0.0%
5 Year Stock Perfomance	-77.3%	-87.5%	432.1%	0.0%
Annualized 1 Year Total Return (past 3 yrs)	1.7%	65.2%	557.8%	0.0%
Valuation Mutiples (LTM)				
P/E Ratio	92.0x	13.2x	0.0x	0.0x
TEV/Revenue	1.7x	1.5x	9.0x	1.8x
TEV/EBIT	17.1x	5.4x	-158.2x	-2.5x
Margins Analysis (LTM)				
Gross Profit Margin	68.1%	100.0%	55.0%	38.0%
Operating Income Margin	-7.6%	23.2%	-3.8%	-72.1%
Net Income Margin	10.1%	24.4%	-15.3%	-78.2%
Liquidity/Risk				
Current Ratio	35.7x	7.2x	4.1x	3.1x
Debt-Equity Ratio	0.00x	0.00x	0.00x	1.18x
Auditor Data[2]				
Year	2004	2004	2004	2004
Auditor	PricewaterhouseCoopers	Ernst & Young	PricewaterhouseCoopers	Deloitte & Touche
Auditor Fees	$ 171,385	$ 477,200	$ 292,000	$ 319,389
Audit Related Fees	-	-	$ 74,000	$ 0
Tax + All Other Fees	$ 126,766	-	-	$ 37,211
Executive Compensation				
Year of Data	2005	2004	2005	2004
Chief Executive Officer	$3,742,614	$2,138,236	$7,191,555	$884,224
Other Named Executives	$4,417,614	$3,986,899	$6,283,248	$3,504,489

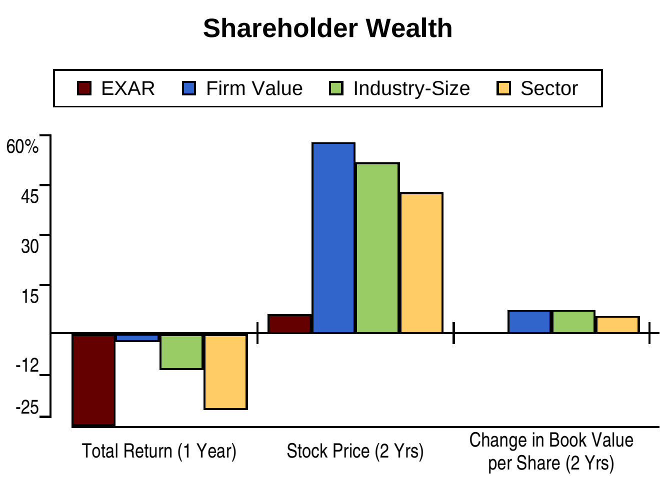
Source: FactSet Research Systems, Reuters, Thomson Financial, and Glass, Lewis & Co. LLC
1. Listed competitors are based on GICS® industry classifications and other financial metrics including market capitalization and revenue.
2. As disclosed by the Company in its most recent proxy filing.

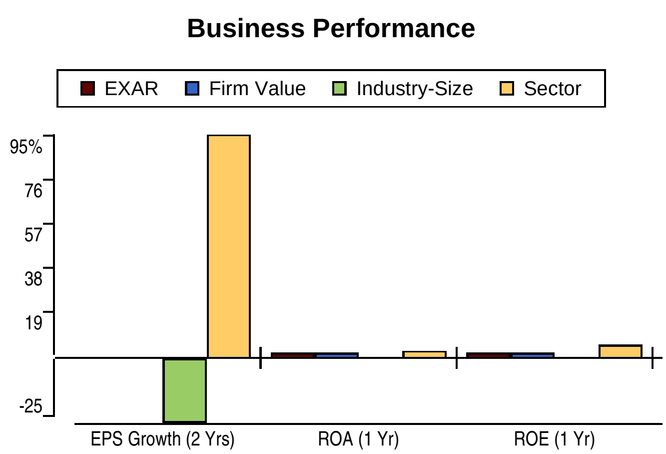
Pay-For-Performance

Exar's executive compensation received an **F** grade in our proprietary pay-for-performance model, which uses 32 measurement points. The Company paid: more compensation to its top officers (as disclosed by the Company) than the median compensation for 43 similarly sized companies with an average enterprise value of $124 million; more than a sector group of 161 semiconductors companies; and more than a market cap segmented industry group of 237 mid sized technology companies. The CEO was paid above the median CEO in these peer groups. Overall, the Company paid significantly more than its peers, but performed worse than its peers.









Note: Compensation analysis for period ending 03/2005. Chart does not include LTIP payouts.

Voting Results from Last Annual Meeting (September 9,2004)

Source: 10Q dated September 30, 2004

Election of Directors

No.	Proposal	Votes Withheld
1	Elect Donald L. Ciffone, Jr.	8.94%
2	Elect Ronald W. Guire	15.20%

Other Items

		Votes			
Proposal	Name	For	Against	Abstain	Broker Non-Votes
2	Amendment to the 1997 Equity Incentive Plan	22,580,184	13,395,983	3,483,290	0

PROPOSAL 1.00: ELECTION OF DIRECTORS

SPLIT

Name	Up	Age	GLC Classification	Committees			Term Start	Term End	Attended at least 75% of Meetings
				Audit	Comp	Nom/Gov			
Frank P. Carrubba, Ph.D.		68	Independent	✔	C		1998	2006	Yes
Donald L. Ciffone, Jr.		50	Affiliated [1]				1996	2007	Yes
Roubik Gregorian		55	Insider [2]				2005	2006	Yes
Ronald W. Guire		56	Insider [3]				1985	2007	Yes
Richard H. Koppes	✔	58	Independent				-	-	
John S. McFarlane		56	Independent	✔	✔		2004	2006	Yes
Richard Previte	✔	70	Independent	C		✔	1999	2005	Yes
Oscar Rodriguez		49	Independent				2005	2007	Yes
Thomas H. Werner	✔	45	Independent	✔	✔		2004	2005	Yes

C = Chair

1. Chairman and former president and CEO (until September 2004).
2. President and CEO.
3. Executive vice president, assistant secretary and CFO.

Summary

The board has nominated three candidates to serve a three-year term each. If elected, their terms would expire at the Company's 2008 annual meeting of shareholders. GWA Investments, LLC and GWA Master Fund, L.P. ("GWA"), the beneficial owners of 250,000 shares of the Company's common stock, have filed a proxy to nominate three candidates (Guy Adams, Richard Leza and Pete Rodriguez) to serve as directors for terms expiring at the 2008 annual meeting of shareholders, in place of the board's nominees.

In general, we believe that incumbent management and directors should be given the benefit of the doubt. In our view, dissidents seeking to take over a board should pay a premium for the privilege through a buyout offer. In this instance, however, GWA seeks to replace a minority of the board. In such cases, we believe the dissident must make a compelling showing of mismanagement on the part of the existing board members.

We believe the dissidents here have largely succeeded in such a showing. The past actions of the board have often been brazenly inconsistent with the interests of shareholders and have put into question whether directors are fulfilling their obligations to act upon the expressed will of shareholders, employ reasonable compensation practices and work toward implementing sound practices of corporate governance.

We recognize that GWA is not a long-standing investor in Exar Corporation and it is unclear what its long-term intentions are. Nevertheless, GWA has correctly identified a series of significant missteps by Exar's management and board. We believe that having some new blood on the board would challenge management to perform better. However, since GWA currently owns less than 1% of the Company's outstanding shares, we question the need for three GWA nominees to be added to the board. Furthermore, we believe that Mr. Koppes, a management nominee, would be a welcome addition to the board. Mr. Koppes is a widely-known corporate governance expert.

Accordingly, we believe shareholders should vote **FOR** Mr. Adams and Mr. Rodriguez, two of the dissident nominees, and **FOR** Mr. Koppes, a management nominee who does not currently serve on the board.

The Candidates

The Company's Nominees

The Company has nominated three candidates to serve on the board: (i) Richard Previte, the chairman of the audit committee and a member of the board since 1999; (ii) Thomas Werner, who has served on the board since July 2004 and was a member of the compensation committee during 2004, when the Company's top executives received aggregate compensation of almost $9 million; and (iii) Richard Koppes, a new nominee who formerly served as general counsel at CalPERS and has an extensive background working with corporate governance institutions.

The Dissident's Nominees

GWA has also put three candidates up for election: (i) Guy Adams, a well-known activist investor; (ii) Richard Leza, chairman and CEO of AI Research Corporation, an early state venture capital firm, who also serves on the advisory board of GWA Capital Partners; and (iii) Pete Rodriguez, the president and CEO of Xpedion Design Systems, who is not affiliated with GWA or Exar to the best of our knowledge.

The Dissident's Claims

In their proxy and proxy-related filings, Guy Adams and GWA assert that for the past four fiscal years, Mr. Ciffone, Dr. Gregorian and Mr. Guire, while serving in key executive positions at Exar, have presided over the loss of more than $31 million in adjusted shareholder equity, a negative return on capital of 0.9% per annum and a loss in market value of $912 million. In addition to what Mr. Adams perceives as a "complete disconnect" between the value lost for shareholders and the compensation awarded to management, he cites the following reasons why the Company's current board deserves to be unseated, which are more fully described below: (i) overly generous use of stock options; (ii) disregard for shareholder concerns; (iii) minimal stock ownership by the board; (iv) stock option repricing; (v) poor operating results; (vi) loss of venture investments; and (vii) loss of shareholders' equity.

In proposing the election of himself and two other dissident nominees to the board, Mr. Adams states that new, independent directors are necessary to install greater accountability of management, more fully represent the interests of shareholders and advocate for the implementation of improved corporate governance policies.

Poor Corporate Governance Practices and Ignoring the Will of Shareholders

GWA claims that the board often ignores the will of shareholders and has a history of poor corporate governance practices, citing the following examples:

- At the 2000 annual meeting the board sought shareholder approval to amend the Company's 1997 Equity Incentive Plan by increasing the number of allocated shares by 800,000. The proposed amendment failed to garner adequate support when 54% of voting shares were cast against the plan. However, in what GWA describes as a "complete and unacceptable disregard for shareholder democracy", the board adopted the 2000 Equity Incentive Plan immediately after the 2000 annual meeting and proceeded to authorize 1.6 million shares to be issued under the plan in 2000, an additional 2.6 million shares in 2001 and 1.5 million additional shares in 2002. (DFAN 14A, 6/02/2005).

- In the Company's Form DEFC 14A, filed on October 3, 2005, the board recommends that shareholders vote against a shareholder proposal to declassify the board of directors and further states that, "Stockholders should be aware that, even if approved, Proposal 2 is not binding on the Board. Although the Board will consider Stockholders' wishes as expressed at the Annual Meeting, the proposal might not be implemented if the Board, in its business judgment and the exercise of its fiduciary duties, concludes that implementation is not in the best interests of the Company and its Stockholders."

- Three directors (Messrs. Gregorian, McFarlane and Rodriguez) are currently serving on the board, but have not yet been put up for election by shareholders.

- In 2000, the board stated that they would not "invoke repricing provisions" and would "formally seek to eliminate the repricing provision." However, in September 2003, the Board used an exchange offering mechanism to accomplish what was, in GWA's view, substantially the same economic result as a repricing. (DFAN 14A, 6/02/2005).

Questionable Executive Compensation Practices

GWA criticizes numerous aspects of the Company's management and financial performance during the past nine years and past four years in particular, including: (i) poor capital allocation decisions; (ii) declining sales in spite of significant capital allocated to R&D; (iii) loss of shareholder value; (iv) loss in venture capital investments; and (v) negative value created for shareholders.

In addition to issuing stock options and restricted stock under a plan not approved by shareholders, as discussed above, GWA believes that the board has over-compensated the Company's management in light of the Company's performance. In particular, GWA criticizes the compensation of Mr. Ciffone and Dr. Gregorian, citing their total compensation of $43.7 million between 1997 and 2005. GWA feels that Mr. Ciffone and Dr. Gregorian improperly managed the Company and does not believe that this compensation reflects their performance.

The Board's Point of View

On October 7, 2005, the board sent a letter to shareholders urging them to vote for the board's nominees and responding to the claims put forth by GWA in its proxy and proxy-related filings. In this letter the board states that: (i) Mr. Adams and GWA are primarily interested in turning a profit in the short-term and lack a long-term vision for the future success of the Company; and (ii) GWA's candidates lack the qualifications to be directors of Exar, including an understanding of Exar's business and industry.

Guy Adam's and GWA's Short-term Interest in the Company

The board accuses Mr. Adams of being an individual with a track record of targeting companies for his personal benefit at the expense of shareholders, as well as pushing ethical boundaries in pursuit of his personal objectives. The board reports that GWA has admitted that it is a "short-seller" of Exar stock, which the board does not consider indicative of an investor with a long-term vision for the future success of the Company. The board cites the fact that GWA only owns 250,000 shares of the Company's stock and claims that 96% of these shares have been hedged in short-sales effected by GWA.

Questioning The Qualifications of GWA's Candidates and Their Plan for Exar's Future

The board believes that Mr. Adams and the other dissident nominees have no working knowledge of Exar's business or industry, have no strategy or plan to expand Exar's business and create value for shareholders, and further, that they have no relevant public company experience.

In contrast, the board believes that management and the board have repeatedly demonstrated their ability to succeed in a difficult financial environment and promote management's nominees as being independent and possessing wide-ranging and critical expertise. The board disagrees with the dissident's critique of its corporate governance practices, citing a steadfast commitment to upholding important principles of corporate governance and referencing the board's recent decision to terminate the Company's shareholder rights plan and the successful completion of a share repurchase program. The board also cites a 2001 U.S. District Court for the District of Kansas ruling that Guy Adams violated federal security laws by making false and misleading statements in his proxy materials to solicit votes for election to the Lone Star Steakhouse & Saloon Inc. board of directors.

Glass Lewis Recommendation

We believe that this proxy contest poses a difficult decision for shareholders. We agree with Mr. Adams that during a time period when the Company has underperformed its peers, the board has overcompensated management, given insufficient weight to the expressed will of shareholders and done little to make changes in the management team. We believe that the following management nominees, who have been complacent in the board's failure to act in the best interests of shareholders, should be replaced:

Nominee **WERNER** served as a member of the compensation committee in fiscal year 2005, during which time the Company received a grade of "F" in our pay-for-performance model. This indicates that, according to our analysis, the Company paid substantially more compensation to its top executives but performed worse than its peers. We are particularly concerned about the Company's policies with regard to equity compensation. We disapprove of the board's use of the 2000 Equity Incentive Plan, which we believe circumvents shareholder's expressed disapproval of the board's equity compensation practices. In particular, we do not believe the equity compensation granted to the Company's top executives is in line with, what we view as, the Company's mediocre performance over the past several years.

As the only member of the compensation committee up for election at this year's annual meeting, we believe that shareholders should hold Mr. Werner accountable for the Company's failure to compensate management in a manner that better reflects both the expressed will of shareholders and the Company's poor financial performance.

Nominee **PREVITE** is the chairman of the audit committee. The audit committee did not put the selection of the auditor up for shareholder ratification at the 2005 annual meeting, an omission which we believe constitutes a failure to fulfill the committee's duty to shareholders. We believe that the audit committee should allow shareholders to ratify its selection of the independent auditor going forward.

Furthermore, as a member of the board since 1999 and a current member of the corporate governance and nominating committee, we believe that Mr. Previte bears partial responsibility for the following issues, which we feel indicate the board's failure to adhere to principles of sounds corporate governance:

- Irrespective of Glass Lewis' view that declassifying the board is in the best interests of shareholders (further discussed in our analysis of Proposal 2), we believe it is cause for concern that the board has explicitly disclosed that it may choose not to implement a shareholder proposal that receives the support of a majority of voting shares. While we recognize that all boards have the discretion not to implement precatory shareholder proposals, we believe that this statement is indicative of the insufficient weight the board assigns to the expressed will of shareholders.

- The Company's chairman is not independent and following the resignation of Raimon Conlisk, who is not standing for re-election, the board will not have an independent lead or presiding director. To the best of our knowledge, the board has not indicated which director, if any, will be appointed as lead or presiding director following the annual meeting. We view an independent chairman as better able to oversee the executives of the Company and set a pro-shareholder agenda without the management or other conflicts that an executive insider or affiliated director might face. This, in turn, leads to a more proactive and effective board of directors in our view.

- Mr. Guire serves as the Company's executive vice president, assistant secretary and CFO, as well as serving on the board. We believe that the unique financial information and control over a company's finances that is typical for a CFO should place the CFO in the position of reporting to and not serving on the board. It is crucial for the board to be in the position of overseeing the Company's finances and its reporting. This oversight is likely to be more complicated and less rigorous when the CFO sits on the same board to which he reports.

Although we agree with certain GWA criticisms of the board and we believe that certain management nominees should not be elected, we are reluctant to permit a dissident shareholder, who is a new investor in the Company and owns less than 1% of its outstanding shares to replace a full third of the Company's board. However, we do believe that the board could clearly benefit from some outside perspective.

Nominee **ADAMS** has played a constructive role in helping to implement positive corporate governance reforms and increased shareholder value while serving on the boards of two other public companies: Mercer International and Lonestar Steakhouse & Saloon, Inc. We believe that Mr. Adams' proxy contest has served as a catalyst for some of the Company's recent reforms (such as terminating its shareholder rights plan and implementing a stock repurchase program) and that Mr. Adams could play a valuable role on the board.

Nominee **RODRIGUEZ,** the best of our knowledge, is independent of both Exar and GWA. Furthermore, we believe Mr. Rodriguez has the necessary and relevant background to serve as a valuable independent voice on the board.

We also believe that nominee **KOPPES**, a management nominee, is a very well-respected corporate governance expert and would help bring discipline to this board. We believe that the interests of shareholders would be better represented by electing Mr. Koppes to the board, as opposed to Mr. Leza, a nominee who is affiliated with GWA.

Accordingly, we recommend that shareholders vote **FOR** dissident nominees **ADAMS** and **RODRIGUEZ,** as well as **FOR** Company nominee **KOPPES**. To do so, shareholders should contact their proxy-voting agent and arrange for votes to be cast for these three nominees.

PROPOSAL 2.00: SHAREHOLDER PROPOSAL REGARDING REPEALING A CLASSIFIED BOARD

FOR

This shareholder proposal, put forth by GWA Investments, LLC, requests that the board take all the necessary steps to declassify the board and to require that all directors stand for election annually.

Board's Perspective

The board offers the following four reasons why shareholders should vote against this proposal: (i) a classified board maintains accountability to shareholders while promoting continuity and stability in the board's governance practices, business and operational activities, strategic initiatives and related policies; (ii) to maintain accountability, shareholders have the opportunity each year to vote on roughly one-third of the members of the board; (iii) the staggered three-year terms served by the directors help ensure that roughly two-thirds of the directors will have had prior experience and familiarity with the Company's business, which is beneficial for long-term strategic planning; and (iv) the classified structure also helps the Company attract highly qualified directors willing to commitment the time necessary to under the Company, it operations and competitive environment.

Glass Lewis' Analysis

Glass Lewis believes that classified boards (staggered boards) do not serve the best interests of shareholders. Empirical studies have shown that: (i) companies with classified boards show a reduction in the firm’s value; and (ii) in the context of hostile takeovers, classified boards operate as a takeover defense, which entrenches management, discourages potential acquirors and delivers less return to target shareholders. Glass Lewis also believes that the annual election of directors provides maximum accountability of directors to shareholders and requires directors to focus on the interests of shareholders.

In a March 12, 2004, *Glass Lewis Proxy Talk* regarding staggered boards, Lucian Bebchuk, a Harvard Law professor who studies corporate governance issues, concluded that charter-based staggered boards “reduce the market value of a firm by 4% to 6% of its market capitalization,” and “staggered boards bring about and not merely reflect this reduction in market value.” This conclusion is based upon a study conducted by Professor Bebchuk and Alma Cohen, entitled “The Costs of Entrenched Board” (2004). Furthermore, based on Glass Lewis’ *Proxy Talk*, there appears to be a lack of empirical evidence indicating that staggered boards increase shareholder value.

In addition, Glass Lewis believes that there is no evidence to demonstrate that, in a takeover context, staggered boards operate to improve shareholder returns. Another study, conducted by Lucian Bebchuk, John Coates and Guhan Subramanian and entitled “The Powerful Antitakeover Force of Staggered Boards” (2002), found that companies whose staggered boards prevented a takeover "reduced shareholder returns for targets ... on the order of 8% to 10% in the nine months after a hostile bid was announced."

Shareholders also appear to share a strong aversion towards staggered boards. While companies overall favor a classified board structure - approximately 60% of companies had classified boards based on Glass Lewis estimates from the 2004 proxy season - an increasing number of shareholders have supported the repeal of classified boards. Ballots containing shareholder proposals calling for the declassification of a company’s board garnered on average the support of 52.7% of votes cast, whereas in 1987 only 16.4% of votes cast favored board declassification.

Given the empirical evidence suggesting that classified boards reduce a firm’s value and shareholders’ increasing opposition to such a structure, Glass Lewis believes that classified boards are not in the best interests of shareholders.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

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