INSTITUTIONAL SHAREHOLDER SERVICES

PROXY ALERT

Exar Corporation

Ticker: EXAR
Proxy Contest Meeting: October 27, 2005
Record Date: September 8, 2005
Business: Designer and manufacturer of analog and mixed-signal integrated circuits
State of Inc: Delaware

CGQ Corporate Governance Quotient

Index	Industry Ranking
28.7	51.4

EXAR outperformed 28.7% of the companies in the S&P 600 and 51.4% of the companies in the Semiconductors & Semiconductor Equipment group.

MEETING AGENDA

Item	Code	Proposals	Mgt. Rec.	ISS Rec.
		Management Proxy (White Card)		
1.1	M0201	Elect Director Richard H. Koppes	FOR	Do Not Vote
1.2	M0201	Elect Director Richard Previte	FOR	Do Not Vote
1.3	M0201	Elect Director Thomas H. Werner	FOR	Do Not Vote
2	S0201	Declassify the Board of Directors	AGAINST	Do Not Vote
		Management Proxy (Gold Card)		
1.1	M0225	Elect Director Guy W. Adams	FOR	FOR
1.2	M0225	Elect Director Richard L. Leza, Sr	FOR	FOR
1.3	M0225	Elect Director Pete Rodriguez	FOR	FOR
2	S0201	Declassify the Board of Directors	FOR	FOR

NOTE:

This alert will update the original analysis to add the following note: Institutional Shareholder Services Inc. recently acquired Investor Research Responsibility Center, Inc. (IRRC). Management Nominee Richard H. Koppes was a member of IRRC's Board of Directors up until the time of the acquisition but is no longer on the board. We understand that Mr. Koppes remains a member of the Board of IRRC Holdings, Inc., the former parent company of IRRC. (US 315554).

CGQ ratings may have been updated from the initial analysis since they show the company's score relative to a market index and its industry group.

PROXY ANALYSIS

Exar Corporation

Ticker:	EXAR
Proxy Contest Meeting:	October 27, 2005
Record Date:	September 8, 2005
Business:	Designer and manufacturer of analog and mixed-signal integrated circuits
State of Inc:	Delaware

CGQ Corporate Governance Quotient

Index	Industry Ranking
48.2	73.4

EXAR outperformed 48.2% of the companies in the S&P 600 and 73.4% of the companies in the Semiconductors & Semiconductor Equipment group.

ANALYSIS CONTENTS

MEETING AGENDA

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		Dissident Proxy (Gold Card)	**Diss. Rec.**	**ISS Rec.**
1.1	M0225	Elect Director Guy W. Adams	FOR	FOR
1.2	M0225	Elect Director Richard L. Leza, Sr	FOR	FOR
1.3	M0225	Elect Director Pete Rodriguez	FOR	FOR
2	S0201	Declassify the Board of Directors	FOR	FOR

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ISS CORPORATE GOVERNANCE RATING

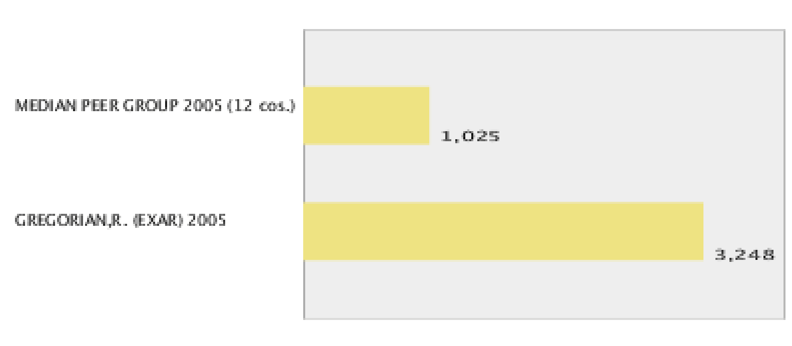
Governance Factor	Positive Impact	Negative Impact
The audit committee is comprised solely of independent outside directors	☑	
The average annual burn rate over the past three fiscal years is 2% or less, or is within one standard deviation of the industry mean	☑	
The company has a committee that oversees governance issues and the committee met in the past year	☑	
There is not a dual class capital structure in place	☑	
There is no disclosure of stock ownership guidelines for outside directors		☑
There is no disclosure of stock ownership guidelines for executives		☑
There is no disclosure of a policy that the board regularly approves a CEO succession plan		☑
There is no disclosure of a policy that directors are required to submit a letter of resignation upon a job change		☑

PERFORMANCE SUMMARY

	1-Year	3-Year	5-Year
Annualized Shareholder Returns, Company	-27.17%	-13.27%	-17.83%
Annualized Shareholder Returns, Russell 3000 Index	10.08%	3.03%	-2.65%
Annualized Shareholder Returns, based on GICS code Peer Group	-15.00%	-4.48%	-11.13%

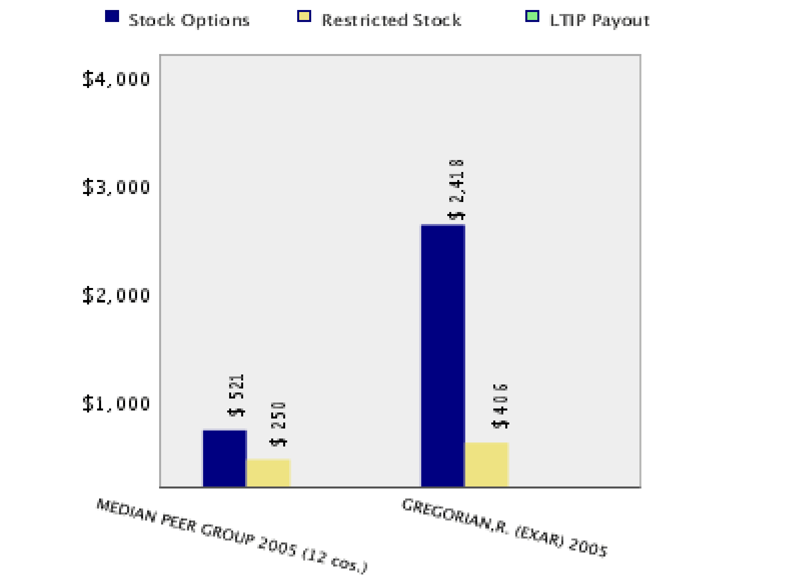
Source: Standard & Poor's Compustat data

Total Direct Compensation ($'000s)



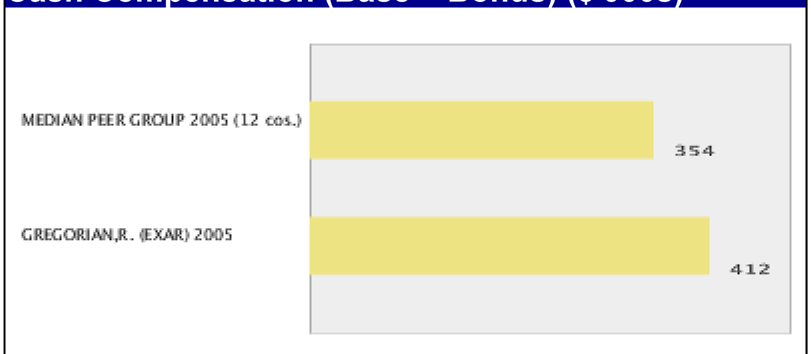
Total direct compensation (TDC)
This chart shows the comparison of to
direct compensation for the company's
CEO and the median of a peer group
Year over year comparison is shown f
the company, if available. If the CEO i
new hire, year over year comparison v
not be available. Total direct
compensation is the sum of cash and
equity compensation as disclosed in t
most recent available proxy statement

Total Long-term Incentives ($'000s)



Total long-term incentives
This chart shows the breakout of the types of long-term incentives received (stock options, restricted stock and lor term incentive plan(LTIP) payouts) by the CEO for the company and the median of a peer group [1]. Year over year comparison is shown for the company, if available.

Cash Compensation (Base + Bonus) ($'000s)



Cash compensation (TDC)
This chart shows the comparison of to
cash compensation for the company's
CEO and the median of a peer group
Year over year comparison is shown f
the company, if available. Total cash
compensation is the sum of base sala
and bonus as disclosed in the most
recent proxy statement.

Change in Total Direct Compensation vs. Fiscal Year Shareholder Returns			
	% change in TDC(2005-)	1-yr TSR (%)	3-yr TSR (%)
GREGORIAN,R. (EXAR)	N/A	-27.17	-13.2
Peer Group (Average)	161.88	15.70	4.4

Notes:

***Footnote1-** ISS's methodology for selecting the peer group of 12 companies is based on the six-digit Global Industry Classification Standards (GICS) and the fiscal year revenue closest to the company. The peer group does not represent the financial or compensation peer groups that may be disclosed in the company's proxy statement. References made to the peer group of 12 companies are only relevant to this page. GICS represents the global industry classification standards indices developed by Standard & Poor's and Morgan Stanley Capital International.*

Source: Equilar

	AUDIT SUMMARY
Accountants:	PricewaterhouseCoopers LLP
Auditor Tenure:	NA
Auditor Fees:	
Audit Fees:	$ 608,062.00
Audit-Related Fees:	$ 0.00
Tax Compliance/Preparation*:	$ 0.00
Other Fees:	$ 157,800.00
Percentage of total fees attributable to non-audit ("other") fees:	20.60%

* Note: Only includes tax compliance/tax return preparation fees. If the proxy disclosure does not indicate the nature of the tax services, those fees will appear in the "other" column.

Governance Provisions:

- The board of directors is classified
- Shareholders do not have cumulative voting rights in director elections
- The company does not have a poison pill in place
- A supermajority vote of shareholders is required to amend certain provisions of the charter or bylaws
- A simple majority vote of shareholders is required to approve a merger
- Shareholders may not act by written consent
- Shareholders may not call special meetings
- The board may amend the bylaws without shareholder approval
- There is not a dual class capital structure in place
- There is no disclosure of stock ownership guidelines for executives
- There is no disclosure of stock ownership guidelines for outside directors
- The company does not expense stock option grants on its income statement

Non-Shareholder Approved Incentive Plans:

- Stock-based incentive plans have been adopted without shareholder approval

State Statutes:

- The company is incorporated in a state with anti-takeover provisions
- The company is incorporated in a state without a control share acquisition statute
- The company is incorporated in a state without a cash out statute
- The company is subject to a freezeout provision
- The company is incorporated in a state without a fair price provision
- The company is incorporated in a state without stakeholder laws
- The state of incorporation does not endorse poison pills

EQUITY CAPITAL

Type	Votes Per Share	Issued
Common Stock	1.00	35,169,877

Ownership - Common Stock

	Number of Shares	Percent of Class
Officers & Directors	4,392,687	12.50

Source: Proxy Statement

DIRECTOR PROFILES

				Committee (C = Chair: F = Financial Expert)						
Name	**Classification**	**Term Ends**	**Dir. Since**	**Audit**	**Comp**	**Nom**	**Attendance**	**No Stock**	**Outside Boards**	**Outside CEO**
Nominees										
Thomas H. Werner (new nominee)	IO	2008	2004	☑	☑				1	
Richard Previte	IO	2008	1999	C F		☑				
Richard H. Koppes (new nominee)	IO	2008	2005					☑	2	
Continuing Directors										
Oscar Rodriguez	IO	2007	2005					☑		
Ronald W. Guire[1]	I	2007	1985							
Donald L. Ciffone, Jr.[2] (Ret. CEO) (Chair)	AO	2007	1996							
John S. McFarlane	IO	2006	2005	☑	☑					
Roubik Gregorian (CEO)	I	2006	2005							

Frank P. Carrubba	IO	2006	1998	☑	C		
Dissident Nominees							
Pete Rodriguez	IO	2008		☑			
Richard L. Leza, Jr.	IO	2008					
Guy W. Adams	IO	2008					

Notes

1 . Ronald W. Guire is the company's executive vice president, CFO and assistant secretary. Source: Exar Corporation most recent Proxy Statement, p. 5.

2 . Donald L. Ciffone, Jr. served as the company's CEO until September 2004 and remained an employee of the company until March 2005. Source: Exar Corporation most recent Proxy Statement, p. 5.

PROPOSALS

Management Proxy (White Card)

Item 1.1: Elect Director Richard H. Koppes

Do Not Vote Item 1.1.

Item 1.2: Elect Director Richard Previte

Do Not Vote Item 1.2.

Item 1.3: Elect Director Thomas H. Werner

Do Not Vote Item 1.3.

Item 2: Declassify the Board of Directors

Do Not Vote Item 2.

Items 1.1-1.3: Elect Directors

Contest Summary
Company Name: Exar Corp. **Dissidents:** GWA Investments, LLC and GWA Master Fund, LP (collectively, "GWA") **D&O ownership:** 12.5 percent of shares outstanding **Dissident ownership:** 0.71 percent of shares outstanding **Stakes:** Three board seats out of nine **Dissident's concerns:** Poor operating performance, failure to link compensation to performance, and lack of director accountability to shareholders. **Management's platform:** The company has a proven record of success, a clear strategic vision, and uniquely qualified directors. **Solicitation costs/reimbursement:** Management has paid $300,000 to date and expects total expenses to be $560,000. GWA has paid $125,000 to date and expects total costs to be $275,000. GWA is seeking reimbursement for its expenses. **ISS Recommendation:** We recommend that shareholders vote FOR the dissidents' slate and Item 2 (board declassification proposal).

Background:

Business Summary

Exar

Exar designs, develops and markets high-performance, analog and mixed-signal silicon solutions for the worldwide communications infrastructure. Leveraging its analog design expertise, system-level knowledge and standard complementary metal oxide semiconductors process technologies, the company provides original equipment manufacturers innovative, highly-integrated circuits that facilitate the transport and aggregation of signals in access, metro and wide area networks. The company also provides one of the industry's most comprehensive family of serial communications solutions. Within this product offering, the low voltage and multi-channel universal asynchronous receiver transmitters are particularly well suited to support high data rate and increasing data transfer efficiency requirements for various industrial, telecom and computer server applications. In addition, Exar offers a portfolio of clock generation and clock distribution devices for a wide range of communications systems. The company is based in Fremont, CA, had fiscal 2005 revenues of $57.4 million, and employs approximately 275 people worldwide.

GWA

Guy W. Adams is the managing director of GWA Advisors, LLC, a private equity investment firm and holding company for Mr. Adams' private equity investments, and the general partner of GWA Master Fund, L.P. Previously, Mr. Adams served as an investment manager and financial advisor to Pacific Theatres Corp. and its affiliates (1989-1995) investing in public and private equity transactions. In 2001, Mr. Adams unseated the CEO for underperforming Lone Star in a contested election and endorsed corporate governance reforms. GWA notes that from the time Mr. Adams announced his candidacy until the date of his resignation as a director of Lone Star, the company's share price increased 139 percent.

The Parties

Exar's Nominees

Management has nominated Richard Previte, a director since 1999, Richard Koppes, a new nominee, and Thomas Werner, a director since 2004, who is facing his first election by shareholders. Mr. Koppes is currently Of Counsel to the law firm of Jones Day and serves as Co-Director of the Executive Education Programs at Stanford University Law School. Previously, he served as Deputy Executive Officer and General Counsel of CalPERS. Mr. Previte serves as Chief Administrative Officer of Spansion, LLC (a subsidiary of AMD/Fujitsu) and formerly served as COO and CFO of Advanced Micro Devices. Mr. Werner serves as CEO of SunPower Corp, and formerly served as CEO of Silicon Light Machines.

GWA's Nominees

In addition to Mr. Adams, GWA has nominated Richard Leza and Pete Rodriguez. Mr. Leza is the Chairman and CEO of AI Research Corporation, an early stage venture capital firm specializing in business-to-business software, information technology, medical devices, and medical analytical software applications. Mr. Rodriguez is President and CEO of Xpedion Design Systems, Inc., a private, VC-backed company focused on electronic design automation solutions for use in designing wireless communication circuits and systems.

Timeline

-April 13, 2005: GWA files preliminary proxy materials announcing its intention to nominate Guy Adams and Richard Leza to the board at the next annual meeting of shareholders

- April 29, 2005: The company announces that the board authorized the retention of Spencer Stuart & Associates, an executive search firm, to identify additional candidates for the board.

- July 22, 2005: Exar announces that it has terminated its shareholder rights plan

- September 6, 2005: GWA files definitive proxy materials to the effect that it will seek three board seats

- September 12, 2005: The company issued a press release announcing the nomination of Richard Koppes to the board.

- September 19, 2005: Exar announces that it has appointed Oscar Rodriguez to the board, effective September 15

The Dissident's Position

The dissident argues that Exar's current leadership has presided over chronically poor operating performance. GWA cites declining sales in recent years including a drop of 49 percent over the past four years as evidence that the company may not be allocating its research and development dollars properly. Moreover, GWA notes that the $174 million spent on R&D over the past nine years is higher than Exar's current enterprise value of approximately $162.8 million. According to the dissident, these raise doubts as to the company's ability to create meaningful value for shareholders going forward.

GWA also believes that management, under the supervision of the board, has failed to operate the business in a manner necessary to create meaningful value for shareholders. The dissident believes that the company's reported changes in shareholders' equity for the four-and nine-year periods of $6.0 million and $372.2 million paint a distorted picture of shareholder value created. The reason for this, GWA believes, is that these amounts fail to adjust for the effects of financings, cash from option exercises, stock repurchases, and interest. Adjusting for such items, GWA argues that this yields a cumulative change in shareholders' equity of $(31.5) million and $(0.7) million for the four and nine-year periods, respectively.

The dissident further argues that despite the company's poor operating performance, its executives have been compensated generously. Specifically, GWA claims that while the change in retained earnings fell $18.3 million during the last four years, former CEO Donald Ciffone and current CEO

Roubik Gregorian realized cash and option proceeds totaling approximately $10.35 million. GWA also estimates that management and directors have granted themselves 12.8 million options, correlating to 30 percent of the current fully diluted shares.

GWA charges that the board with deliberately thwarting the will of shareholders as evidenced by management's adoption of the 2000 Equity Incentive Plan (the "2000 Plan"). At the 2000 annual meeting, stockholders owning 54 percent of the company's shares voted AGAINST a proposal to increase the number of shares available under the company's 1997 Equity Incentive Plan (the "1997 Plan") by 800,000. Despite shareholders' clear rejection of the proposal, management adopted the 2000 Plan authorizing 1,000,000 shares that very same day. The 2000 Plan was never put to a shareholder vote, nor were shareholders permitted to vote on amendments increasing the number of shares available under the plan, which totaled 5,700,000 after approximately 18 months. The dissident argues that when the shareholders have spoken, their voice should have control.

GWA states that the board again violated the wishes of shareholders in 2003 when it repriced options after promising not to do so. Two days before the company's 2000 annual meeting, the board issued a letter to stockholders promising that it would not invoke the repricing provision of the 1997 Plan and would formally seek to eliminate such provision at the next annual meeting. The dissident accuses the board of functionally negating this promise in 2003 when the board, without shareholder approval, canceled underwater options and exchanged them with options having lower exercise prices, thus effectively repricing the options. GWA also condemned the 2002 Plan, which, like the 1997 Plan, contains a repricing provision.

The dissident maintains that these factors demonstrate the need to bring independent representation to the board to instill greater accountability in management and create value for shareholders. GWA feels that the qualifications of its nominees, which include over 40 years of combined business experience in the technology industry and Guy Adams's record as a director at Lone Star, make these individuals well-suited for this role. GWA has expressed its intention to effect the following governance changes if elected to the board:

- Require that the chairman of the board be a non-management director, defined as not having been a management member for the past three years

- Institute a mandatory retirement policy for all members of the board at age 70;

- Amend the by-laws to provide that director nominees shall be elected only by the affirmative vote of the majority of votes cast at an annual meeting of stockholders;

- Expressly prohibit the repricing of options, including any mechanism that achieves the same economic effect;

- Enlist the services of an independent consultant, reporting to the independent directors, to evaluate the company's annual R&D expenditure levels, given the strategic and competitive market conditions within the industry;

- Engage an independent investment banker, reporting to the independent directors, to evaluate ways to maximize stockholder value utilizing the company's strong cash position; and

- Hire an independent compensation consultant to advise and assist a special independent board committee with the review, evaluation and, if needed, reconsideration of the employment contracts with the company's key executives.

Management's Position

The board states that Exar is a robust company with a proven track record as evidenced by its extensive product portfolio, prudent investments in R&D, and a growing list of top-tier clients. The company acknowledges that its share price has declined in recent years but attributes the decline to the dramatic downturn in the semiconductor industry as a whole. Management asserts that since the end of 2000, Exar has still managed to outperform its peers. Management also draws attention to the poor market for acquisitions during this period and claims that Exar was prudent in acquiring businesses whereas many of the company's competitors have since taken significant write-downs on acquisitions.

Management believes that Exar is well positioned to execute its strategic plan and enhance shareholder value. The board cites Exar's strong balance sheet, with approximately $315 million in cash and cash equivalents and no long-term debt. Management states that Exar has been in a period of transition for approximately four years, wherein the company has been shifting emphasis from its declining consumer products business to the higher-margin serial products market. The board estimates that from the time a technology is introduced until the company begins realizing revenues is generally 2-2.5 years. Management believes that it is well equipped to execute its vision, which includes continuing to develop and enhance communications products while expanding the addressable market for serial interface products by incorporating complementary functions into existing solutions. Management believes that at least $100 million in cash would be sufficient to enable the company to pursue its strategy, which includes the future acquisition of complementary technology in adjacent and expanding markets.

Management responds to criticism of its adoption of the 2000 Plan without shareholder approval by asserting that adoption of such plan was necessary in view of the circumstances. The board calls to mind the highly competitive market for qualified technology personnel during the early part of the decade. Management contends that most of its competitors used options to attract talent and in many cases, to poach talent from competitors. Exar's board insists that it was essential that the company have a pool of options with which to retain its employees and therefore maintains that approval of the 2000 Plan without shareholder approval was warranted.

The board also defended its decision to effect the 2003 repricing of underwater stock options on the grounds that such options no longer served any incentive purpose as long as they remained underwater. Additionally, management notes that the exchange was not effected on an option-for-option basis. Rather, holders of options with exercise prices greater than $50.00 and ranging from $26.00 to $50.00 would be exchanged for new options on a four-for-one basis and two-for-one basis, respectively. The board also noted that Exar's officers and directors were excluded from participating in the exchange.

With respect to the election of directors, management states that its nominees are seasoned high-technology leaders with a working understanding of semiconductor and data and telecom communications industries. The board notes that Richard Koppes is a nationally recognized expert in corporate governance and expects to benefit from his knowledge and expertise. Management notes that all of its directors have public company board experience and senior level management experience at a NYSE or Nasdaq company, and that a supermajority of the directors are independent.

The board believes that the dissident's claim that management is compensated excessively is without foundation, arguing that the company's executives are compensated comparably to those of its peers. Additionally, management claims that the company is committed to linking total compensation packages of its executives to performance, noting that Exar's executives have not received bonuses since 2001.

Exar refers to GWA's track record as "questionable" and points out that GWA owns less than one percent of the company's stock and only purchased its shares in the last six months. Management claims that the dissident maintains a short position in 240,000 of its 250,000 shares, which raises ethical concerns. The board notes that the company's Code of Business Conduct and Ethics forbids such practice and questions GWA's commitment to building long-term value for the company's shareholders. Moreover, management argues that GWA's nominees possess no working knowledge of the company or its industry, no business plan, no strategy to create value for shareholders, and no relevant public company board experience.

Analysis

ISS held discussions with Exar Corp. and GWA Advisors, LLC. With respect to Exar, the participants included Roubik Gregorian, CEO of Exar, Ronald Guire, Executive Vice President and CFO of Exar, Thomas R. Melendrez, General Counsel, Secretary and Vice President, Business Development of Exar, all of whom are continuing directors, and Richard Koppes, a director nominee. GWA's participants included Guy Adams, Managing Director, GWA Capital Partners, LLC and GWA Advisors, LLC., Richard Leza, and Pete Rodriguez, all director nominees.

The dissident is looking to replace three of nine of the company's nominees. The issue at hand is whether replacing three of the company's nominees with three of GWA's nominees is warranted. ISS considered the following factors as key to its determination: Exar's performance, the company's corporate governance including executive compensation, and the nominees.

Exar's Performance

In assessing Exar's share performance, we compared the company's returns for the fiscal year ended March 31, 2005 to those of peer groups selected by Bloomberg and Equilar. According to Bloomberg, the company's one, three, and five-year returns of -27.17 percent, -13.24 percent and -17.83 percent are lower than those of its peer group (the S&P 600 Information Technology Index) of -10.28 percent, -1.55 percent and -3.70 percent, respectively. Exar has also underperformed the company's eight-digit Global Industry Classification Standard (GICS) peers' average returns of -14.85 percent, -5.32 percent and -11.56 percent for the one, three and five-year periods, respectively. On October 14, 2005, the closing price of the company's share was $12.61. The board estimates that Exar has approximately $315 million in cash and cash equivalents, or $8.96 for each outstanding share. Therefore, it would appear that most of the company's share price is tied to the company's cash reserves.

The company has faced significant operating problems in recent years. Sales have declined approximately 15 percent in the last year and 49 percent over the last four years, while R&D expenditures have remained fairly constant. While management indicated that the company has shifted its focus from consumer products to serial communications products, it did not present a timetable for the recovery of the company's sales or the outlook for the company. While the company's most recent 10-K shows a decline in the company's consumer video & imaging segment, net sales from the company's communications segment declined slightly in 2005 after a $15 million increase from 2003 until 2004. Therefore, it is uncertain whether the company's shift in product focus is bearing fruit.

Compensation

While the company has suffered sustained operating and shareholder losses, it appears that its executives are well compensated relative to its peers. Roubik Gregorian, the company's CEO since February 2005, is currently entitled to receive a salary of $450,000, 27 percent higher than the average CEO salary & bonus for Exar's peer group for 2005. Mr. Gregorian's total direct compensation of $3.25 million for fiscal year 2005 is considerably higher than the average CEO compensation for Exar's peer group of $1.03 million. We note that management approved the 2000 Plan despite the fact that the cost of Exar's plans was 22.78 percent, well above ISS's allowable cap at the time for the company of 12.86 percent. We also observed that the long-term incentive portion of Mr. Gregorian's compensation is $2.8 million, well above the average for the company's peers. These items together point to a pattern of poor compensation practices.

Governance

Management acknowledges that there is room for improvement in the area of corporate governance and as such, has taken measures demonstrating its commitment to corporate governance best practices. These measures include linking executive pay and company performance, limiting the number of boards on which directors may serve, and participating in director education programs. The board also states that it terminated the company's poison pill in July 2005. Lastly, management cites the qualifications of director nominee Richard Koppes, an expert in the area of corporate governance.

These actions notwithstanding, we note the board's disregard for the will of shareholders as evidenced by the adoption of the 2000 Equity Incentive Plan and its repricing of underwater options without shareholder approval despite its promise not to do so. Good corporate governance depends on the board being accountable to its shareholders. Therefore, ISS frowns on directors who thwart the will of shareholders by any means, active or passive, be it ignoring a shareholder vote or by failing to allow shareholders to vote on important governance matters. Similarly, we are troubled by the board's statement that it may decide not to effect the declassification of the board even if such proposal is supported by a majority of shares voted. Although this item is a precatory proposal and therefore not binding, the board's statement suggests that Exar shareholders may still have to contend with accountability issues going forward.

We further note that the company terminated its poison pill in response to the threat of Mr. Adams' proxy contest and did so just months after extending the pill for an additional ten years. While we applaud the decision to terminate the non-shareholder-approved pill, we would prefer that directors pursue good governance practices by their own accord and not merely under duress.

The Nominees

The company has nominated Thomas Werner, Richard Koppes and Richard Previte, all independent outsiders, two of whom, Messrs. Werner and Koppes are standing for election for the first time. Two of Exar's nominees possess executive experience within the technology industry: Mr. Werner formerly served as CEO of a subsidiary of Cypress Semiconductor, a competitor of Exar, and Mr. Previte served in a number of executive management roles at Advanced Micro Devices over a period of 30 years. Mr. Previte is also the chairman of the company's Audit Committee as well as its financial expert. While Richard Koppes does not possess relevant industry experience, he is a nationally recognized corporate governance expert and currently serves as Co-Director of Executive Education Programs at Stanford University School of Law.

The dissident has nominated Guy Adams, Richard Leza and Pete Rodriguez, all independent outsiders. Mr. Rodriguez's background includes sales and senior management level experience in the semiconductor and electronics industry. Mr. Leza is the founder and CEO of a venture capital firm specializing in the technology industry. Mr. Adams is the Managing Director of an investment firm and while he has not held any executive position within the technology industry, but he has served on two boards as a result of contested elections. During his tenure at Lone Star Steakhouse & Saloon, the company redeemed its poison pill and engaged an investment banker to pursue strategic alternatives for maximizing shareholder value.

On balance, we believe that management nominees Thomas Werner and Richard Previte and dissident nominees Richard Leza and Pete Rodriguez have useful industry experience from which shareholders stand to benefit. While Richard Koppes does not posses industry experience, the board believes that it will benefit from his governance expertise. We note however that Mr. Koppes is generally supportive of the classified boards and therefore it is unlikely that his presence on the board would result in a shift in direction on this very important governance issue. Like Mr. Koppes, Guy Adams does not posses industry experience but has advocated governance changes which ISS generally views as positive. Moreover, Mr. Adams has filed the precatory proposal to declassify the board, which ISS believes is in the best interest of shareholders. We further note that a substantial portion of Guy Adams' shares are "boxed" and not shorted as has been alleged. Consequently, Mr. Adams does not stand to profit from a decline in the company's share price.

Conclusion

Over the past five years, Exar has underperformed its peers and shareholders have seen erosion of their investment value. The company's compensation practices do not appear to be aligned with shareholders interests. While we commend management for taking measures to improve the company's corporate governance, more needs to be done. ISS believes that the addition of three dissident nominees to the board would promote the necessary oversight and accountability as the company seeks to revitalize its operations. Further, the addition of the dissident nominees will provide the other directors the opportunity to hear alternative views without giving the dissident nominees control of the board.

We recommend a vote FOR the dissident's nominees

Vote FOR Items 1.1-1.3.

Item 2: Declassify the Board of Directors

GWA Investments, LLC, beneficial owner of approximately 250,000 shares of the company's common stock, has submitted this nonbinding shareholder proposal calling for the repeal of the company's classified board structure and for the annual election of all directors. Currently, the board comprises three director classes, each of which serves a three-year term.

The proponent believes that the classification of the board is not in the best interests of shareholders because it reduces accountability and is an unnecessary takeover device.

Management responds that the staggered board structure maintains accountability while promoting continuity and stability in the board's governance practices, business and operational activities, strategic initiatives and related policies.

Although a majority of U.S. public companies have classified boards, most that have emerged in the past decade were put into place at the time of initial public offerings. Managements argue that staggered boards provide continuity and stability, but empirical evidence has suggested that such a structure is not in shareholders' best interests from a financial perspective. Specifically, staggered boards provide a potent antitakeover defense, particularly when coupled with a poison pill, by forcing unsolicited bidders to win two board elections in order to gain control of the company.

A 2002 study by three academics covering hostile bids between 1996 and 2000 showed that classified boards nearly doubled the odds of a target remaining independent. However, the findings revealed that a staggered board structure did not provide any countervailing benefits in terms of higher acquisition premiums. In fact, for the period covered, it resulted in the loss of $8.3 billion for target shareholders by impeding value-creating transactions without any offsetting increases in alternative transaction or stand-alone target returns. Similarly, a 2001 study found that over the period 1990 to 1999, firms with weak shareholder rights, including classified board structures, exhibited lower net profit margins and sales growth and made more capital expenditures and acquisitions than firms with a high degree of shareholder rights.

The ability to elect directors is the single most important use of the shareholder franchise, and all directors should be accountable on an annual basis. A classified board can entrench management and effectively preclude most takeover bids or proxy contests. Board classification forces dissidents and would-be acquirers to negotiate with the incumbent board, which has the authority to decide on offers without a shareholder vote. We believe that shareholder support of this non-binding proposal is warranted.

Vote FOR Item 2.

Exar Corporation
48720 KATO ROAD
FREMONT CA 94538
5106687000

Shareholder Proposal Deadline: June 5, 2006

Solicitor: Georgeson Shareholder Communications, Inc.

Security ID: 2325206 (SEDOL), 300645108 (CUSIP), US3006451088 (ISIN), 5886119 (SEDOL)

Exar Corporation

October 17, 2005

VOTE RECORD FORM

Exar Corporation

Ticker: EXAR
Proxy Contest Meeting: October 27, 2005
Account ID Code:
Shares Voted:

Record Date: September 8, 2005
Shares Held on Record Date:
Date Voted:

MEETING AGENDA

Item	Code	Proposals	Mgt. Rec.	ISS Rec.	Vote Cast
		Management Proxy (White Card)			
1.1	M0201	Elect Director Richard H. Koppes	FOR	Do Not Vote	
1.2	M0201	Elect Director Richard Previte	FOR	Do Not Vote	
1.3	M0201	Elect Director Thomas H. Werner	FOR	Do Not Vote	
2	S0201	Declassify the Board of Directors	AGAINST	Do Not Vote	
		Dissident Proxy (Gold Card)	**Diss. Rec.**	**ISS Rec.**	
1.1	M0225	Elect Director Guy W. Adams	FOR	FOR	
1.2	M0225	Elect Director Richard L. Leza, Sr	FOR	FOR	
1.3	M0225	Elect Director Pete Rodriguez	FOR	FOR	
2	S0201	Declassify the Board of Directors	FOR	FOR	