

# MOS AID

**ANNUALREPORT 2009**



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# Fiscal 2009 Letter to Shareholders

Dear shareholders:

Looking back to our letter of one year ago, the world was a quite different place. There were some warning signs of the coming financial crisis, but global stock markets were mostly intact, and governments had not yet begun bailing out corporations with hundreds of billions of taxpayers' dollars. However, despite the onset of the global recession, MOSAID actually raised its revenue guidance midway through the fiscal year – and then met this new guidance. In view of the extraordinary global circumstances, we are particularly pleased to report that your Company enjoyed excellent financial and operational results this year.

## Financial Highlights

- Annual revenues of \$62.5 million, representing the highest level of patent licensing revenues in MOSAID's history, were up 14% from \$55.1 million a year earlier.
- Fiscal 2009 pro forma net income of \$21.1 million or \$2.05 per diluted share was up 5% from \$20.2 million or \$1.83 per diluted share in the prior year. On both a pro forma and a GAAP basis, MOSAID has been profitable for five consecutive years.
- During fiscal 2009, MOSAID returned \$10.3 million to shareholders through dividend payments, and an additional \$8.4 million through the repurchase of shares. The Company's financial strength has enabled it to pay dividends to shareholders consistently since July 2005, with the dividend maintained at 25 cents per share, per quarter, since July 2006.

Our financial results demonstrate that MOSAID's business model can deliver revenue growth, profits, cash flow and dividends – even during a period of economic upheaval. Indeed, we anticipate that in fiscal 2010, MOSAID will achieve another year of revenue growth, report a sixth consecutive year of profitability, and achieve positive cash flow from operations.

## Operational Highlights

MOSAID's operations are guided by a growth strategy that has three hallmark elements:

- We pursue a diversified approach to patent licensing;
- We follow a rigorous process to acquire, or ally with others, to obtain intellectual property assets; and
- We continue to invest in R&D that generates patentable technology.

By adhering to this growth strategy, we made great progress across all operational areas, and we recorded a number of benchmark achievements.

### Patent Licensing

The expansion of our patent portfolio and the establishment of three new patent licensing programs since early calendar 2007

are now translating into significantly higher deal flow. MOSAID set a record by signing 13 new patent licensing agreements in fiscal 2009 – compared to an historic average of fewer than two agreements per year. In February 2009, we announced that MOSAID's agreements with Nokia Corporation, Micron Technology Inc. and Buffalo Inc. would bring in combined booked revenues greater than the Company's entire market capitalization at the time.

Two years ago, MOSAID was completely reliant on the DRAM (Dynamic Random Access Memory) market for its patent licensing revenues. Today, we have diversified our revenue base and are earning revenues from four patent licensing programs that target different markets: wireless, memory, microcomponents, and communications. Our strategy is to add intellectual property assets, through R&D and by acquisition and alliances, which strengthen our existing programs and enable us to establish new licensing programs within the broad areas of semiconductor and telecommunications technologies.

**Wireless:** In our wireless licensing program, we signed six new agreements in the fiscal year. Notably, we signed Nokia Corporation, the world's number one cell phone vendor, to our first wireless handset license, and Buffalo Inc. to our first significant wireless networking equipment license. MOSAID has now licensed its fundamental wireless patents into the Wi-Fi-enabled handset, notebook computer and wireless equipment markets. The wireless program is a key revenue growth driver for the Company, and in fiscal 2010, we anticipate signing wireless licensing agreements that give us further penetration into the markets we have already entered, as well as deals in new wireless markets.

**Memory:** MOSAID's deal with Micron Technology Inc., which included a patent license and the purchase of 400 Micron patents, was the highlight of the five memory patent license agreements signed this fiscal year. Micron's 10-year patent license agreement to certain of MOSAID's patents is the longest fixed term agreement in the Company's history. And with the Micron deal, MOSAID reached another milestone by licensing virtually 100% of the commodity DRAM market.

MOSAID also signed a patent license agreement with Powerchip Semiconductor Corporation, granted a license extension to NXP B.V., signed a new license with Oki Semiconductor Co. Ltd., and granted a license to an unnamed fabless semiconductor memory company.

As many of the Company's existing memory patent licenses are structured as a series of fixed payments, rather than as a percentage of the licensees' sales, MOSAID's revenues were fairly stable during the worst of the market collapse. The worldwide recession did, however, impact the creditworthiness of some of MOSAID's memory patent licensees. Qimonda AG entered insolvency protection and terminated its patent licensing agreement with the Company. Two other licensees, each constituting less than 10% of MOSAID's revenues, also defaulted on their payment obligations due to their respective financial difficulties. MOSAID monitors the financial health of

all of its licensees and takes whatever steps it deems appropriate to help mitigate credit risk.

Our primary objective for fiscal 2010 is to re-license Samsung Electronics Co. Ltd.

**Microcomponents:** MOSAID granted its first license to its microcomponents patent portfolio to Panasonic Corporation, covering all application specific and microcomponent semiconductor products sold under Panasonic's brand name. We anticipate signing at least one new microcomponents patent license in fiscal 2010.

**Communications:** We established MOSAID's fourth and newest licensing program – communications – by purchasing 300 communications patents from SercoNet Ltd. These patents gave MOSAID a foundation in Power over Ethernet and markets such as IP (Internet Protocol) telephone systems. We granted the first license to the communications portfolio to a U.S.-based provider of IP telephone equipment only 10 weeks later, setting another licensing record for MOSAID. Going forward, we expect the usual timelines for establishing a new program to apply.

### Building the Patent Portfolio

MOSAID set another record in fiscal 2009 by doubling its portfolio to 1,709 patents and applications, up from 860 a year earlier.

We were very active in obtaining high quality patents that both strengthen and diversify MOSAID's portfolio, thereby creating new areas of opportunity. The global recession resulted in the best market for patent acquisitions in decades, with many more companies offering patents for sale. Despite the increased supply, we maintained our rigorous selection process and thoroughly evaluated each of the three portfolios we purchased from legal, technical and financial perspectives.

- We strengthened our memory licensing program by purchasing 400 Micron patents related to DRAM, Flash and semiconductor process technology.
- We acquired 300 patents from SercoNet, establishing MOSAID in the communications market.
- Title to DRAM, Synchronous RAM (SRAM) and Flash technology patents was transferred to MOSAID from a U.S.-based fabless semiconductor company.

### Research and Development

Contributing to progress through technology innovation has always been part of the MOSAID story, from our founding in 1975 and our early days as a DRAM innovator, to current times. Today, our strategy is to make reasonable investments in new technology that will generate patents and potential technology licensing revenues.

For the past three years, our engineers have focused on developing HLNAND™, MOSAID's high-performance Flash architecture and interface, on which they have filed more than 260 Flash-related patent applications. Subsequent to year end, we introduced two HLNAND Flash devices: a 64Gb (gigabit) semiconductor chip, and a 64GB (gigabyte) memory module.

We do not plan to produce or sell these products in production quantities; rather, our objective is to license HLNAND technology to third party manufacturers, thus driving market adoption of this breakthrough technology.

## The Way Ahead

MOSAID's focus on realizing value from intellectual property has resulted in a business model that displays a relatively high degree of financial stability. In fiscal 2009, we achieved our financial targets, we delivered record deal flow and through astute patent acquisitions, we strengthened our portfolio and created new licensing opportunities. As a result, the deal pipeline has never been larger, and we are now in communication with over 100 companies in regards to licensing MOSAID's patent portfolios.

We are moving ahead with a better operational balance than that of a year ago. Your management team remains committed to operating MOSAID profitably for shareholders, while continuing to build an intellectual property company that delivers sustainable revenues, positive cash flow, and earnings per share growth.



**John Lindgren**

President and  
Chief Executive Officer



**Carl Schlachte**

Chairman of  
the Board



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

## Introduction

This discussion and analysis is dated June 25, 2009. It should be read in conjunction with the audited consolidated financial statements and notes thereto for MOSAID Technologies Incorporated (the Company or MOSAID) for the fiscal year ended April 30, 2009, as well as with Management's Discussion and Analysis (MD&A) for the Company's audited consolidated financial statements and notes for the prior year. Unless otherwise stated, all amounts are in Canadian dollars.

Management is responsible for establishing appropriate information systems, procedures and controls to ensure that all financial information disclosed externally, including this MD&A, and used internally by management, is complete and reliable. These procedures include the review and approval of the financial statements and associated information, including this MD&A, first by the Disclosure Committee, a committee of the management team, the Audit Committee of the Board of Directors (the Board), and subsequently by the Board.

### Forward-looking Information Statements in MD&A

This document and certain other public documents incorporated by reference in this document contain forward-looking statements to the extent they relate to MOSAID or its management, including those identified by the expressions "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "will," "would" and similar expressions. These forward-looking statements are not historical facts, but rather reflect MOSAID's current expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially from current expectations. Assumptions made in preparing forward-looking statements and financial guidance include, but are not limited to, the following:

- MOSAID's continued expansion of its patent portfolio and of its opportunities for future patent licensing revenue as a result of MOSAID's acquisition of patents from third parties and from development of new inventions;
- semiconductor and telecommunications product vendors continuing to infringe MOSAID's patents;
- the timing and amount of MOSAID's litigation expenses;
- MOSAID's ability to sign new licensees;
- foreign exchange rates;
- current assumptions as to the identification of products that are unlicensed to MOSAID's patents; and
- the timing and amount of MOSAID's research and development (R&D) expenses.

Factors that could cause actual results to differ materially from expected results include, but are not limited to, the following:

- MOSAID's ability to negotiate settlements with licensees;
- legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID's essential and/or non-essential patents (including, but not limited to, adverse results from litigation or proceedings in patent offices and government regulatory agencies in various countries around the world);
- judicial, legislative or regulatory changes that impair the ability of patent holders to earn licensing revenues;
- worldwide economic conditions and demand for technology products;
- economic, social, and political conditions both globally and in the countries in which MOSAID or patent licensees operate, including conflict, war and, other security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- non-payment or delays in payment by or insolvency of licensees or other debtors;
- variability in patent licensees' sales of licensed products;
- failure to maintain and enforce MOSAID's existing patent portfolio, or failure to obtain valuable patents as a result of R&D activities, or failure to acquire valuable patents from third parties;
- MOSAID's ability to recruit and retain skilled personnel;
- change in MOSAID's financial position;
- consolidation of MOSAID's licensees;
- natural events, such as severe weather and earthquakes in the locations in which MOSAID or patent licensees operate; and
- changes in the tax rate applicable to MOSAID as the result of changes in the tax law in the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets.

In this current volatile and uncertain economic environment, the Company has maintained or instituted practices to assist it in mitigating financial risk. These practices include, but are not limited to, the following:

The Company licenses its patents worldwide, providing geographic diversification for its revenue sources.

The Company has added patent portfolios that address more segments in the semiconductor and telecommunications industries. The addition of these portfolios has provided the Company with a many-fold increase in potential licensees operating in multi-billion dollar markets.

The Company utilizes a variety of payment structures in its licensing program. Fixed payment term agreements provide the Company with a relatively predictable base of regular cash flows, while running royalty agreements allow for upside revenue potential as market conditions improve. As well, on occasion, the Company will utilize a single payment model.

The Company typically utilizes term-based multi-year arrangements, which provide the Company with known licensing terms and conditions for the duration of its agreements, as well as an opportunity to adjust these terms and conditions as agreements expire and come due for renewal.

While many of the Company's existing and potential licensees are large multinational companies, the Company, nevertheless, monitors their financial position and operational results both prior to and during the term of the licensing agreements.

The Company utilizes credit insurance to protect certain of its assets when deemed appropriate by the Company and when available.

During Q3 fiscal 2009, Qimonda AG (Qimonda), a company representing more than 10% of the Company's consolidated revenues during fiscal 2009 and fiscal 2008, filed for insolvency protection in Germany. Qimonda has defaulted on two (2) payments due to the Company. The Company has in place a credit insurance policy which covers 90% of such payments and 90% of each of the subsequent two (2) payments. As a result, the Company has recorded as revenue, on their due date, 90% of the current amounts due from Qimonda. There is a significant likelihood that amounts due in future from Qimonda to the Company and that are not covered by credit insurance may become uncollectible, resulting in a materially adverse impact to the Company.

Further, during Q3 fiscal 2009 and Q4 fiscal 2009, another licensee defaulted on a fixed payment of U.S. \$1.0 million due during each of the quarters. The Company has recorded the amount as accounts receivable, but has deferred recognition of the amount as revenue due to the uncertainty regarding ultimate collection.

Due to the long-term nature of many of the Company's licensing arrangements and the prolonged downturn in the semiconductor and telecommunications industries, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk mitigation instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company cautiously invests its surplus cash with the primary objective of protecting the capital. The Company does not invest in asset-based commercial paper and only invests in highly rated investment grade securities with maturities of 12 months or less, in order to reduce credit and interest rate risk.

When the Company acquires large dollar assets, primarily acquired intangibles, it attempts to negotiate payment terms spanning several years in order to better match the assets' expected cash inflows with the payments.

In some instances, the Company will not acquire the actual ownership of the intangible asset but will acquire all the benefits of ownership through an exclusive licensing arrangement. Often, these arrangements require relatively little cash outflow by the Company at the time of entering the arrangement. Further, the cost of sharing revenues with the owner of the patents occurs only at the time of monetization by the Company. This allows the Company to better match the inflows and outflows and reduces the Company's need for financing.

As many of the Company's revenues and expenses are denominated in currencies other than its reporting currency, for both economic and reporting purposes, the Company utilizes forward exchange contracts with highly credit worthy counterparties, to help mitigate its foreign exchange risk. The Company does not use such instruments for speculative purposes.

Management believes the Company is sufficiently capitalized to weather these uncertain economic times and that, if required, could obtain access to additional financing.

MOSAID assumes no obligation to update or revise any forward-looking statements. Additional information identifying risks and uncertainties affecting MOSAID's business and other factors that could cause MOSAID's financial results to fluctuate are contained in MOSAID's Annual Information Form, under the section entitled "Risk Factors," and in MOSAID's other public filings available online at [www.sedar.com](http://www.sedar.com).

Pro forma income, which is not a generally accepted accounting principle (GAAP) measure, is GAAP net income adjusted for stock-based compensation, patent amortization and imputed interest, foreign exchange gains and losses on "other long-term liabilities," and other non-recurring items. The Company uses pro forma measures internally to evaluate and manage operating performance as well as to forecast and plan. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

It should also be noted that the Certification by MOSAID's CEO and CFO of Annual Filings, as prescribed by Form 52-109F1, is required in conjunction with the reporting of these annual results and is filed accordingly with SEDAR.



**Joseph Brown**

Vice President and  
Chief Financial Officer

# Vision, Core Businesses and Strategy

## Vision

The Company's vision is to be a global leader in intellectual property (IP) licensing, focused on the licensing and development of semiconductor and communications technologies.

## Core Business

At the beginning of fiscal 2009, MOSAID was focused solely on its IP licensing and innovation business, had licensed a substantial majority of the DRAM market and had signed its first licensee to its wireless portfolio.

Operationally, MOSAID conducts its business through two groups: Patent Licensing and Technology R&D. The Patent Licensing Group consists of the Licensing Team, the Patent Acquisition Team and the Patent Administration Team. The mandate of the Licensing Team is to monetize the patent portfolio asset by primarily entering into patent licensing agreements with third parties. The mandate of the Patent Acquisition and Patent Administration teams is to evaluate and acquire new patents and file new patent filings and maintain existing patent filings, respectively. The mandate of the Technology R&D Group is to generate patented technology for future potential benefit to the Company.

MOSAID currently pursues licensing opportunities through two major licensing programs, which operate in parallel: the Semiconductor Licensing Program and the Telecommunications Licensing Program.

The Semiconductor Licensing Program focuses on licensing MOSAID's memory portfolio and its microcomponents patent portfolio. Under this program, the Company licenses patents related to a variety of memory types, including Dynamic Random Access Memory (DRAM), Flash Memory and Pseudo Static Random Access Memory (PSRAM). This Program also licenses the microcomponent patent portfolio, which comprises patents applicable to Digital Signal Processors (DSPs), Reduced Instruction Set Computer (RISC) processors, microprocessors, microcontrollers, Application Specific Integrated Circuits (ASICs), Application Specific Standard Products (ASSPs), Field Programmable Gate Arrays (FPGAs), and other semiconductor memory and processing technologies.

The Telecommunications Licensing Program focuses on licensing the Company's IEEE 802.11 and 802.16 standards based wireless portfolio, and on licensing the recently acquired communications portfolio. The communications patent portfolio is applicable to technologies including Power over Ethernet (POE), Voice over Internet Protocol (VOIP), IP Private Branch Exchanges (IP-PBX), wireless access points (WAP), IP Digital Subscriber Line Access Multiplexers (IP-DSLAM), cable modems, and Asynchronous DSL (ADSL) modems.

The Company commenced fiscal 2009 with 32 full-time and regular part-time staff and finished the fiscal year with 34 employees.

The Company's sole operational location is in Ottawa, Ontario, Canada.

## Strategy

MOSAID intends to drive revenue, profit growth and shareholder value by pursuing the following strategies:

- Renewal of existing licensing agreements associated with its memory patent portfolio.
- Continue to license its microcomponents, wireless and communications patent portfolios.
- Assess or 'mine' the existing patent portfolios for licensing and other monetization opportunities.
- Conduct world-class R&D activities and encourage market adoption of key technologies by funding modest R&D activity in both semiconductor and wireless technologies, by participating in standards setting bodies, when appropriate, and by strategically partnering with third parties to facilitate time-to-market advantages.
- Return value to shareholders through a balance of reinvestment in the business, dividends, share repurchases, or other appropriate methods.

The Company's ability to drive revenue growth by renewing existing patent licensing agreements and entering into new agreements depends, to a great extent, on its ability to continually strengthen and broaden its portfolio of patent assets. MOSAID is strengthening its patent portfolio through a three-part strategy:

- Developing and filing patent applications on internally developed technology in order to yield new patents;
- Selectively acquiring new patents in technology areas that supplement or complement the Company's current focus on semiconductor and telecommunications technologies; and
- Entering into new licensing alliances, or expanding existing alliances, to further extend the technological and geographic reach of its licensing programs.

During fiscal 2009, the Company acted on this strategy by acquiring 400 semiconductor related patents from Micron Technology Inc. (Micron), and by acquiring 300 communications related patents from SercoNet Ltd. As well, during the year, MOSAID filed 73 patent applications relating to Flash memory technology, including the Company's HyperLink NAND (HLNAND™) Flash architecture and interface. At the end of fiscal 2009, the Company had over 250 patent and applications related to its internally developed Flash memory technology. During fiscal 2009, the Company increased the size of its overall portfolio from 860 to 1,709 patents and applications, an increase of 99%.

MOSAID's strategy includes continuing to mine its portfolio to identify additional patent families that are being used in targeted market segments. MOSAID's ability to uncover additional market adoption of its patented inventions, using patent and infringement analytical techniques, sets the Company apart from many other licensing organizations. Based on this mining activity, MOSAID expects to identify new key patent families in the future.

As part of this patent mining activity, MOSAID may periodically identify non-core patents that it may sell or exchange for other patent holdings that better fit the Company's licensing plans.

A significant element of MOSAID's strategy to enforce its intellectual property rights is engaging in litigation, if required.

## Key Performance Drivers

### Markets

The Company's licensing performance is driven by its ability to license intellectual property into the following primary markets:

- Semiconductor:
- DRAM
  - NAND Flash
  - Microcomponents

At the end of CY2008, the DRAM market was still over US\$24B annually and there is no end in sight to the use of DRAM as a leading memory technology by computer product manufacturers. Industry analysts expect the DRAM market to continue to be cyclical over the long term, with further contraction and consolidation probable in CY2009. Beyond CY2009, industry forecasters expect double-digit growth occurring out until the end of CY2012. A similar pattern is expected for the NAND Flash market, which is currently approximately a US\$13B annual market. The microcomponents market, a market of over US\$40B in CY2008, is expected to experience consistent single digit growth through the end of CY2012.

Telecommunications:

- Wireless applications including handsets, smart phones, Portable PCs, wireless routers and access points, as well as various other consumer products utilizing WiFi technology
- Communications applications including Power over Ethernet, enterprise telephony equipment and Voice over IP

WiFi enabled handset units are forecast to increase from approximately 60 million units world-wide in CY2008 to approximately half a billion units in CY2012, with WiFi penetration rates, as a percentage of total mobile terminal units, increasing from approximately 1.7% in CY2008 to over 30% in CY2012. While 2009 is expected to be a challenging year for the overall mobile handset market, with a decline of 4%, sales of smartphones, with volume growth of 27%, are expected to outperform the market.

Sales of Portable PCs, which reached nearly US\$140B in CY2008, 100% of which are essentially WiFi enabled, are expected to decline in 2009 as consumer spending declines and competition increases from lower priced Netbooks. Beginning in CY2010, Portable PC sales are expected to increase annually at least until the end of CY2013.

Sales of Ethernet switches are forecasted to grow over the period 2009 – 2012 and Power over Ethernet, as a percentage of total Ethernet switches is expected to grow significantly over the same period. As well, enterprise telephony equipment sales and enterprise-class WLAN access point sales are expected to increase over the 2009- 2012 period.

### Financial Condition

Financial strength, measured in terms of a maintaining a solid balance sheet with strong cash reserves, is a critical element in MOSAID's ability to execute on its strategy of signing patent licensing agreements while simultaneously strengthening its patent portfolio through patent acquisitions, entering into patent partnerships, generating patents on internally developed technology, and engaging in litigation when required.

Currently, the Company has a multi-year backlog of revenues, primarily as a result of signing fixed payment term licenses with DRAM vendors Samsung Electronics Co., Ltd. (Samsung) and Hynix Semiconductor Inc. (Hynix) in fiscal 2005; Infineon Technologies AG (Infineon) and its memory spin-off Qimonda AG (Qimonda) in fiscal 2007, to the extent that Qimonda's obligations are covered by credit insurance; and a ten year license arrangement with Micron for equal quarterly amounts beginning in fiscal 2009. While Samsung and Micron appear financially stable, it is well known that Qimonda has entered insolvency proceedings in Germany and that Hynix's financial situation has deteriorated during the Company's fiscal year. The Company has mitigated a portion of the credit risk regarding Qimonda with the use of third party credit insurance. Several of the Company's licensees with running royalty arrangements, primarily those located in Taiwan, are also experiencing significant financial hardship and their future outlook is uncertain. It is expected that during the coming fiscal year, there may be significant consolidation among makers of DRAM. As well, in January 2009, the Company signed a licensing arrangement of undisclosed structure and term with Nokia.

Financial strength is important when MOSAID engages in litigation in order to enforce its IP rights. Litigation costs are often significant. The Company believes that maintaining a substantial cash reserve is an important factor in convincing companies to enter into agreements and avoid protracted litigation.

### License Renewals with Major DRAM Vendors

An important short to medium-term performance driver is MOSAID's ability to renew its existing licenses with its major DRAM manufacturers. These licenses come up for renewal in the fiscal 2010 to 2011 timeframe. For certain of these renewals, the Company is currently involved in renewal discussions, while for others, the Company is preparing for such discussions. The Company has already successfully completed, on schedule, renewals with its first two term licensees, Winbond and NXP.

### Professional and Systematic Approach to Patent Licensing

In the patent licensing area, a professional and systematic approach based on a solid understanding of patent law, technology and markets, close attention to patent administration, careful management of reverse engineering subcontractors, detailed infringement assessment and monitoring, fair and reasonable licensing practices, and a full commitment to litigate when necessary, have produced strong results and established the reputation of MOSAID's licensing programs. MOSAID will continue this approach as the Company expands into new market segments.

### Advances in Technology

MOSAID has an excellent track record in developing innovative technology. The Company's patent portfolio reflects this ability to anticipate technology challenges and create solutions that become widely adopted. By maintaining an in-house R&D organization, MOSAID retains a competitive technological edge over other licensing organizations, while continuing to contribute new technology to the industries in which it operates.

### Strategic Alliances

The ability to form alliances or other arrangements with third parties will be an increasingly important performance driver for the Company's licensing success over the long-term. Based on MOSAID's licensing success, third parties are increasingly interested in entering into licensing alliances with the Company. In these arrangements, MOSAID licenses third party IP either separately or together with its own portfolio, and shares the royalty revenues with the third party. Through this licensing model, the Company gains cost-effective access to a wider variety of patent assets, thereby strengthening, diversifying and customizing its patent portfolio according to those technologies that are most relevant to its licensing roadmap.

The Company's Microcomponents licensing activity is largely based on this patent alliance model, and while the Company did not enter into any new alliances during fiscal 2009, the Company anticipates entering into additional alliances and other similar arrangements in future fiscal years.

## Capability to Deliver Results

MOSAID believes it is well positioned to deliver continued strong financial performance due to its strong and growing patent portfolio, professional and systematic approach to licensing IP, management team, track record of granting patent licenses, and solid financial position.

### Strength of Patent Portfolio and Ability to Derive Value from Patents

As a result of patent acquisitions, licensing partnerships and internal technology development, the Company's patent portfolio has continued to grow in numbers, technological diversity and breadth of geographic coverage. As of April 30, 2009, MOSAID held title to 1,709 patents, issued or pending, compared with 860 at the end of fiscal 2008. The geographic and technological diversity of the portfolio helps to ensure that the Company will continue to be able to grant worldwide portfolio licenses.

At April 30, 2009, and since 1999, the Company had entered into 33 license agreements. As forecast at the start of the fiscal 2009, during the year, the Company entered into its first wireless licensing agreement with a handset vendor; in fact, the world's largest handset vendor, Nokia. As well, during fiscal 2009, the Company signed its first wireless networking equipment license, re-signed NXP, the semiconductor spin-out from Philips, to a five year extension, signed its first license agreement for its newly acquired communications patent portfolio, signed its first license agreement for its microcomponent

portfolio, and signed a land-mark ten year licensing arrangement with Micron. The Company now has four patent portfolio programs generating revenues. The Company has greatly expanded its pipeline of opportunities and, at year-end, was in licensing communication with more than 100 companies.

### Systematic Approach to Patent Licensing

The Company's approach to patent licensing is systematic. To convince companies to take a license, it is necessary to provide compelling evidence of infringement of a significant number of diverse patents. A company will consider taking a license typically if the infringement case is clear, the market exposure is sufficiently large to represent a significant risk should they continue using unlicensed patented technology, and if the licensing terms and conditions are fair and reasonable. Accordingly, MOSAID approaches potential licensees with multiple patent assertions while offering reasonable and competitive licensing terms and conditions. If licensing discussions are stalled or abandoned, MOSAID may pursue the protection of its IP through litigation. Without the willingness and capability to enforce patent rights through the courts, a licensing program cannot gain respect and credibility. MOSAID understands this dynamic and is prepared to use the court system to protect its IP rights.

### Patent Administration

MOSAID's licensing success also depends on a strong record of patent administration (also known as patent prosecution), i.e. the process of filing and obtaining patents from official patent offices around the world. The Company dedicates significant effort to ensuring that filed patent applications reflect the high quality standards needed when proactively licensing such patented technology. MOSAID maintains a carefully balanced mix of internal and external patent administration resources to optimize patent quality.

### Workforce and Management

MOSAID's workforce carries the proud tradition of 34 years of professional excellence and technological innovation. Inventiveness and market insight have made a potent combination, whether it is in sophisticated technology development or patent licensing. MOSAID employs individuals with unique skill sets and a proven ability to conclude patent license agreements. This is important, since strong patents are only part of what is needed to derive substantial revenues from a patent portfolio. Having expertise in the relevant markets, in patent portfolio development, and in patent licensing and litigation are as critical as having good patents. MOSAID's reputation and expertise, together with its proven ability to negotiate licensing agreements and litigate, if necessary, all contribute significantly to MOSAID's ability to deliver patent licensing results.

### Licensing Reputation

MOSAID is known for developing and licensing innovative semiconductor memory and telecommunications technology. The Company's reputation as a major licensing organization has been secured by signing patent licensing agreements

covering approximately 100% of the global DRAM market since 1999, and by expanding into other markets. MOSAID has also developed a reputation for being fair and reasonable with companies showing a genuine interest in taking a license, while vigorously defending its patent rights through litigation, if necessary. The Company will continue to conduct its licensing activities guided by these principles.

## Financial Strength

A strong financial position is an important underpinning for MOSAID's success.

While the Company has incurred long-term liabilities to finance certain patent acquisitions, it has attempted, to some extent, to match the payment period with the benefit period of the purchased assets and thereby minimize the impact to working capital. Notwithstanding these liabilities, the Company continues to enjoy a very strong financial position.

During fiscal 2009, the Company returned to shareholders approximately \$10.3 million via dividends. During fiscal 2009, through a normal course issuer bid (NCIB) that was initiated in September 2007 and subsequently amended in May 2008, the Company returned \$8.4 million to shareholders by purchasing and canceling 559,148 shares, at an average cost of \$15.05 per share.

## Results

### Overall Performance

The principal elements of the Company's financial performance for fiscal 2009 are noted below.

#### Business Structure

(Dollar amounts in thousands)

Year ended	April 30, 2009		April 30, 2008	
	\$	%	\$	%
Revenues	<b>\$62,538</b>	<b>100</b>	\$55,072	100
Expenses				
Patent portfolio management	<b>5,048</b>	<b>8</b>	4,834	9
Patent licensing and litigation	<b>21,230</b>	<b>34</b>	13,643	25
Research and development	<b>2,274</b>	<b>4</b>	2,351	4
General and administration	<b>4,406</b>	<b>7</b>	4,312	8
Foreign exchange (gain)	<b>6,791</b>	<b>11</b>	(3,393)	(6)
Stock-based compensation	<b>790</b>	<b>1</b>	550	1
Patent amortization and imputed interest	<b>13,881</b>	<b>22</b>	13,223	24
	<b>54,420</b>	<b>87</b>	35,520	65
Income from operations	<b>8,118</b>	<b>13</b>	19,552	35
Net interest income	<b>1,621</b>	<b>3</b>	2,130	4
Income before income tax expense and discontinued operations	<b>9,739</b>	<b>16</b>	21,682	39
Income tax expense	<b>4,923</b>	<b>8</b>	10,827	20
Income before discontinued operation	<b>4,816</b>	<b>8</b>	10,855	19
Discontinued operations (net of tax)	<b>1,029</b>	<b>1</b>	7,619	14
Net income	<b>\$ 5,845</b>	<b>9</b>	\$18,474	33

On a pro forma basis, the results of operations were as follows:

(Dollar amounts in thousands)				
Year ended	April 30, 2009		April 30, 2008	
	\$	%	\$	%
Revenues	<b>\$62,538</b>	<b>100</b>	\$55,072	100
Expenses				
Patent portfolio management	<b>5,048</b>	<b>8</b>	4,834	9
Patent licensing and litigation	<b>21,230</b>	<b>34</b>	13,643	25
Research and development	<b>2,274</b>	<b>4</b>	2,351	4
General and administration	<b>4,406</b>	<b>7</b>	4,146	8
Foreign exchange loss	<b>(369)</b>	<b>(1)</b>	606	1
Special committee	-	-	147	-
	<b>32,589</b>	<b>52</b>	25,727	47
Pro forma income from operations	<b>29,949</b>	<b>48</b>	29,345	53
Net interest income	<b>1,621</b>	<b>3</b>	2,130	4
Pro forma income before income tax	<b>31,570</b>	<b>51</b>	31,475	57
Income tax expense	<b>10,418</b>	<b>17</b>	11,242	20
Pro forma net income	<b>\$21,152</b>	<b>34</b>	\$20,233	37

Pro forma net income is reconciled to GAAP net income as follows:

(Dollar amounts in thousands)		
Year ended	April 30, 2009	April 30, 2008
	\$	\$
GAAP net income	<b>\$ 5,845</b>	\$18,474
Add (deduct):		
Stock-based compensation	<b>790</b>	550
Patent amortization and imputed interest	<b>13,881</b>	13,223
Restructuring	-	19
Foreign exchange gain	<b>7,161</b>	(3,999)
Income tax for above items	<b>(5,762)</b>	(3,584)
Future income tax revaluation	<b>266</b>	3,169
Discontinued operations (net of tax)	<b>(1,029)</b>	(7,619)
Pro forma net income	<b>\$21,152</b>	\$20,233

- Revenues were \$62.5 million in fiscal 2009, compared to \$55.1 million in fiscal 2008.
- GAAP income before discontinued operations was \$4.8 million for fiscal 2009, compared to \$10.9 million for fiscal 2008.
- GAAP income from operations was \$8.1 million for fiscal 2009, compared to \$19.6 million for the prior year.
- Discontinued operations, net of tax, produced a profit of \$1.0 million for fiscal 2009, compared to \$7.6 million for fiscal 2008.
- GAAP net income was \$5.8 million or \$0.57 per diluted share for fiscal 2009, compared to \$18.5 million or \$1.67 per diluted share for the prior year.
- Pro forma income from operations was \$29.9 million, compared to \$29.3 million for the prior year.
- Pro forma net income was \$21.1 million or \$2.05 per diluted share in fiscal 2009, compared to \$20.2 million or \$1.83 per diluted share for fiscal 2008.
- Cash, cash equivalents and marketable securities decreased to \$51.8 million at April 30, 2009 from \$58.4 million at April 30, 2008.

## Continuing Operations Overview

During fiscal 2009, the Company licensed the last major unlicensed player in the DRAM market, Micron. Further, during the year, the Company's first two term licensees were renewed, and the Company granted its first license related to its non-memory microcomponents portfolio. During fiscal 2009, the Company also signed Nokia, the world's largest handset vendor, to a licensing agreement and, within ten weeks of purchase of a communication patent portfolio from SercoNet Ltd., signed its first licensee under this portfolio to a Voice over IP vendor. In total, the Company acquired 700 patents and applications, including 400 from Micron and 300 from SercoNet Ltd., and continued its modest investment in Flash memory technology.

### Key FY09 Business Objectives

- 7% - 10% revenue growth
- 5th consecutive year of profitability
- Conclude multiple wireless licensing agreements
- Sign our first WiFi enabled handset license
- Sign our first microcomponent licensing agreement
- Renew the licensing agreement with NXP
- Develop new markets through patent acquisitions and partnering with other companies
- Achieve significant progress in the litigation of patents

### Key FY09 Results

- Achieved revenues and pro forma net income results consistent with management guidance, having raised revenue guidance by \$2 million during the year
- Achieved a 5th consecutive year of profitability
- Generating revenues from four patent portfolios
- Concluded 6 wireless licensing agreements during FY2009
- Signed the Company's first WIFI enabled handset license with Nokia, the largest handset maker in the world

- Settled litigation with and granted licenses to Powerchip and Micron
- Signed the Company's first wireless networking equipment license with Buffalo
- Signed the Company's first microcomponents licensing agreement with Panasonic
- Extended the term license for NXP for 5 more years, without any interruption in coverage, on terms and conditions essentially the same as the original agreement.
- Continued to increase the licensing pipeline. The Company is now in licensing communications with over 100 organizations.
- Strengthened the Company's semiconductor patent portfolio by acquiring 400 patents from Micron
- Addressed new markets by purchasing 300 communications related patents from SercoNet
- Filed 73 more patent applications related to the Company's R&D activities in the non-volatile NAND Flash memory area
- Returned almost \$19 million directly to shareholders via dividends and share buy back

### Micron, Powerchip, ProMOS and Mosel Vitelic Litigations

- On July 24, 2006, Micron filed a complaint for declaratory judgment in the Northern District of California, San Jose Division (California Court), seeking a declaration of non-infringement and invalidity with respect to 14 of MOSAID's U.S. patents.
- On July 26, 2006, MOSAID filed a complaint in the Eastern District of Texas, Marshall Division (Texas Court) against Micron, Powerchip and ProMOS for infringement of nine of its U.S. patents. Mosel Vitelic was subsequently added as a defendant.
- On July 27, 2006, MOSAID filed a motion in the California Court to dismiss Micron's complaint, which was granted on October 23, 2006. Micron filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit (Appellate Court) on November 17, 2006.
- On April 27, 2007, Micron filed a motion to stay proceedings in the Texas Court pending a decision by the Appellate Court. Powerchip, ProMOS and Mosel filed a similar motion on May 11, 2007. On May 17, 2007, the Texas Court denied the defendants' motion to stay proceedings.
- On February 4, 2008, MOSAID announced that it had settled with ProMOS and Mosel Vitelic.
- On February 29, 2008, the Appellate Court, due to an intervening change in the law related to declaratory judgment jurisdiction since the California Court dismissed Micron's complaint in October 2006, reversed and remanded Micron's complaint for declaratory judgment to the California Court. As a result, on March 3, 2008, Micron and Powerchip each filed motions to stay proceedings in the Texas Court. Micron also filed a motion to dismiss the case before the Texas Court, and Powerchip filed a motion to transfer its case to the California Court.
- On April 23, 2008, MOSAID filed a motion in the California Court to have the case transferred to the Texas Court, which was denied. Trial was then scheduled for May 22, 2009.

- On October 29, 2008, MOSAID announced that it had settled with Powerchip.
- On February 2, 2009, MOSAID announced that it had settled with Micron.

For more details on the events of MOSAID's active and previous litigations, please see MOSAID's website at [www.mosaid.com](http://www.mosaid.com)

## Financial Position

Working capital of the Company decreased to \$42.9 million at the end of fiscal 2009 from \$67.3 million at the end of fiscal 2008. The working capital ratio decreased to 2.3 at the end of fiscal 2009 from 5.5 at the end of fiscal 2008. Major uses of cash were the repurchase and cancellation of shares (\$8.4 million) and dividends (\$10.3 million)

Cash, cash equivalents and marketable securities decreased to \$51.8 million at the end of fiscal 2009, as compared to \$58.4 million at the end of fiscal 2008.

During fiscal 2009, accounts receivable decreased by \$1.9 million from \$12.3 million at the end of fiscal 2008 to \$10.4 million at the end of fiscal 2009. Accounts receivable consists primarily of payments on patent licensing agreements.

Future Income Taxes Recoverable, short-term and long-term, increased by \$1.1 million to \$29.1 million at the end of fiscal 2009 from \$28.0 million at the end of fiscal 2008. The increase reflects the net effect of incremental additions to the tax asset, by way of withholding taxes and investment tax credits, offset by income tax expense and a revaluation of the asset due to substantially enacted decreased future income tax rates. On an ongoing basis, management applies the "more likely than not" criterion to determine the appropriate valuation of the asset. The process requires management to estimate future profitability, the future income taxes payable associated with that estimate of future profitability, and to assess how much, if any, of the existing income tax assets available to the Company are more likely than not to be utilized to offset the estimated future income taxes payable. As of April 30, 2009, the Company had recorded virtually all of such potential assets available to the Company in Canada, and none of the potential assets related to other taxation jurisdictions.

The net book value of acquired intangible assets increased by approximately \$9.3 million during fiscal 2009. Additions, principally patents acquired from Micron and SercoNet and exclusive licensing rights acquired from an unnamed company totaled \$19.3 million, while amortization totaled \$10.1 million.

Accounts payable and accrued liabilities decreased by \$1.4 million during fiscal 2009 to \$6.3 million at the end of fiscal 2009 from \$7.7 million at the end of fiscal 2008. The decline is due to the decrease of restructuring payables, partially offset by increases in deferred stock unit (DSU) liabilities.

The other long-term liabilities, both the current portion and long-term portion, represent the future cash flow obligations, adjusted for the time value of money, related to the purchase of patents or exclusive licensing rights by the Company. During fiscal 2009, the other long-term liabilities balance increased

by \$13.1 million to \$49.7 million at the end of fiscal 2009 from \$36.5 million at the end of fiscal 2008. Additions during the year of \$25.5 million, comprised of \$18.3 million related to patents purchased from Micron and SercoNet Ltd., and a \$7.2 million unrealized foreign exchange loss due to the appreciation of the U.S. dollar, were partially offset by payments to creditors of \$12.4 million to reduce the liability.

Shareholders' equity decreased by \$11.8 million during fiscal 2009 to \$110.5 million at the end of fiscal 2009 from \$122.4 million at the beginning of the year. Additions to shareholders' equity were net income of \$5.8 million, net stock based compensation costs of \$757,000, exercise proceeds from the Employee and Director Stock Option Plan and the Employee and Director Stock Purchase Plan in the amount of \$364,000 and unrealized derivative gains on cash flow hedges of \$764,000. Additions were more than offset by dividends of \$10.3 million, payments related to the NCIB program of \$8.4 million and funding of Restricted Stock Units in the amount of \$826,000.

## Annual Results

### Revenues

Revenues were \$62.5 million in fiscal 2009, compared to \$55.1 million in fiscal 2008. Revenues are derived entirely from patent monetization activities. Results of discontinued operations, including their revenues and expenses, are discussed below in this MD&A.

The increase in the Company's revenues, the majority of which are in U.S. dollars, is due primarily to the signing of several new patent licensing agreements, including agreements with Panasonic, Micron and Nokia.

The Company derives revenues primarily using two financial models: a multi-year fixed term renewable licensing arrangement with fixed payment dates and amounts; and a fixed-term renewable running royalty arrangement, whereby the Company derives revenues based upon sales by the licensee. During fiscal 2009, the vast majority of the Company's revenues were derived from the former type of arrangement. The Company expects this trend to continue for fiscal 2010.

A significant percentage of the Company's revenues are derived from relatively few licensees. In fiscal 2009, four of the Company's licensees amounted to more than 10% of consolidated revenues. Revenues from one licensee amounted to 24%; revenues from other licensees were 24%, 18% and 10% respectively. In fiscal 2008, revenue from three of the Company's licensees amounted to more than 10% of consolidated revenues. Revenues from one licensee were 31%; revenues from other licensees were 26% and 19% respectively.

While the signing of each new license agreement typically reduces the Company's economic dependence on any one licensee, the Company expects during fiscal 2010 to continue to be dependent upon relatively few licenses for its revenues.

The geographical distribution of fiscal 2009 revenues is shown in the exhibit below. Revenue from Asia Pacific was 64% of revenues, while revenue from Europe and North America were

22% and 14% respectively. During fiscal 2010, the Company expects a similar pattern among the geographic regions.

The approximate geographic breakdown of revenues is as follows:

Year ended	April 30, 2009	April 30, 2008
Asia Pacific	64%	77%
Europe	22%	20%
North America	14%	3%

## Expenses

### Patent portfolio management (Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
Patent portfolio management	\$5,048	\$4,834
As a percentage of total revenues	8%	9%
Increase from the same period last year	4%	-

Patent portfolio management expense represents the cost of patent administration, including filing and maintaining patents and patent applications worldwide, identifying and assessing potential patents for acquisition and assessment of alliance opportunities with third party patent holders.

The increase in patent portfolio management expenses in absolute dollar terms, as compared to the same period last year, is due to increased patent administration subcontract costs, as a result of a higher number of first filings of patent applications, continuations and foreign filings in Europe and in Asia Pacific, as well as analysis, consultations and certain amendments of previously filed applications in anticipation of new U.S. rules. At the end of fiscal 2009, the Company had 1,709 patents and patent applications, as compared to 860 at the end of fiscal 2008.

The Company expects patent portfolio management expenses in fiscal 2010 to increase to the 10-12% range as a percentage of revenues due to the significant increase in portfolio size.

### Patent licensing and litigation (Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
Patent licensing and litigation	\$21,230	\$13,643
As a percentage of total revenues	34%	25%
Increase from the same period last year	56%	-

Patent licensing and litigation expense represents the cost of managing and conducting litigation actions, infringement analysis based reverse engineering costs undertaken by or on behalf of the Company to support licensing activities, revenue sharing costs associated with patent portfolios or patent rights acquired by the Company, and the cost of conducting licensing negotiations.

The increase in patent licensing and litigation expense in both absolute dollar terms and as a percentage of revenue for fiscal 2009, as compared to the prior year, is due primarily to increased litigation costs as the litigation against Micron progressed and was settled during fiscal 2009, and increased licensing costs, resulting from a vastly expanded licensing pipeline, and revenue sharing expense associated with certain patent licensing agreements.

The Company expects patent licensing and litigation costs in fiscal 2010 to remain in the range of 25%-30% of revenues. While, at fiscal year end, the Company was not involved in any litigation, the Company's business model is predisposed to the use of litigation in certain circumstances in order to protect the Company's IP rights.

### Research and development (R&D) (Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
Research and development	\$2,274	\$2,351
As a percentage of total revenues	4%	4%
(Decrease) from the same period last year	(3%)	-

R&D expense represents the cost, net of investment tax credits, of developing and promoting new technology or improving existing technology related to the business of the Company.

R&D, as a percentage of revenues and in absolute dollar terms, decreased in fiscal 2009, compared to fiscal 2008 due primarily to decreased subcontract and EDA tool expenses related to the development of its Flash memory technology. As expected, the absolute dollar figure for fiscal 2009 is less than \$3.0 million.

The Company expects R&D expense in fiscal 2010 to be in the \$3.0 million range.

**General and Administration (G&A)**

(Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
General and administration	<b>\$4,406</b>	\$4,312
As a percentage of total revenues	<b>7%</b>	8%
(Decrease) from the same period last year	<b>2%</b>	-

G&A expense represents the cost of corporate services, including executive management, finance, corporate legal, human resources, office administration, communications, public company cost and information technology.

The increase in G&A expense in absolute dollars in fiscal 2009, as compared to the same period in the prior year, is due primarily to increased compensation and premises rental costs.

The Company expects G&A to be in the range of 8% - 9% of revenues for fiscal 2010.

**Foreign exchange loss (gain) (FX)**

(Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
Foreign exchange loss (gain)	<b>\$6,791</b>	(\$3,393)
As a percentage of total revenues	<b>11%</b>	(6%)
Increase from the same period last year	<b>nm</b>	-

FX expense represents the cost, realized and unrealized, of unhedged transactions denominated in currencies other than the Company's reporting currency.

The FX loss of \$6.8 million during fiscal 2009 and gain of \$3.4 million during fiscal 2008 were due primarily to the unrealized revaluation of the Company's U.S. dollar denominated other long-term liabilities related to acquired patents and exclusive licensing rights. Without this revaluation, the Company incurred an FX gain of \$369,000 or 1% of revenues for fiscal 2009, as compared to a loss of \$606,000 or 1% of revenues for the same period in the prior year.

**Patent amortization and imputed interest**

(Dollar amounts in thousands)

Year ended	April 30, 2009	April 30, 2008
Patent amortization and imputed interest	<b>\$13,881</b>	\$13,223
As a percentage of total revenues	<b>22%</b>	24%
Increase from the same period last year	<b>5%</b>	-

Patent amortization and imputed interest expense represents the amortization charge related to acquired patents or patents where the Company has exclusive licensing rights as a result of partnerships or similar business models with third parties, and the cost of imputed interest expense which results from discounting, for the time value of money, liabilities incurred for the purpose of acquiring patents, either outright or through partnership models.

The increase in patent amortization and imputed interest cost for fiscal 2009, as compared to fiscal 2008, in absolute dollar terms, is due primarily to the acquisition of patents late in fiscal 2009.

The Company expects the absolute dollar amount of patent amortization and imputed interest expense, a non-cash item, to be approximately 12% higher than fiscal 2009, before any further acquisitions, due to the increased amortization relating to new patents acquired in fiscal 2009.

**Other Items Affecting Net Income**

Net interest income decreased 24% in fiscal 2009, compared to the prior year, reflecting lower average cash balances and lower yields. Net interest income is expected to decrease during fiscal 2010, due to lower average cash balances and continued lower yields.

During the year, as required by GAAP, the Company revalued its Future Income Tax asset, due to substantially enacted tax rates in Canada. After removing the impact of that revaluation, the Company's effective tax rate on income before discontinued operations was 47.8%, as compared to 35.3% for same period in the prior year. The increase in the effective tax rate is due to the size of the FX gain or loss on "Other long-term liabilities" relative to revenues, and the fact that such FX gain or loss is only 50% deductible or taxable for taxation purposes.

The Company expects its effective tax rate for continuing operations in fiscal 2010 to be approximately 35% to 37%.

In Canada, the Company has undeducted R&D expenditures and timing differences totaling \$52.1 million and \$26.9 million respectively available to reduce taxable income in future years. These loss carry forwards have no expiry date. Further, the Company has \$11.4 million of investment tax credits available to reduce federal taxes payable in future years. The credits have a remaining life varying between eleven and twenty years. Based upon the Company's current projections, it does not

NI 51-102 (Continuous Disclosure Obligations) prescribes that the following chart be incorporated into the MD&A presentation, concerning the contractual obligations to which the Company is bound over the following five years:

**Payments Due By Period**  
(Dollar amounts in thousands)

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Total contractual obligations	\$63,905	\$21,988	\$17,335	\$12,436	\$12,147

The contractual obligations are other long-term obligations representing the amounts due to creditors as a result of patent purchases and exclusive licensing rights acquired by the Company, and an operating lease for premises.

expect that a significant portion, if any, of these carry forwards will expire in the near term.

During fiscal 2009, discontinued operations, net of tax, contributed \$1.0 million to net income, as compared to \$7.6 million in the prior year. A detailed breakdown of discontinued operations is contained in Note 12 in the fiscal 2009 Notes to the Consolidated Financial Statements, which accompany this MD&A.

**Capital and Liquidity**

Cash, cash equivalents and marketable securities decreased to \$51.8 million at the end of fiscal 2009 from \$58.4 million at the end of fiscal 2008.

Cash from continuing operations generated \$20.7 million during fiscal 2009, compared to \$14.6 million during the previous year. Before changes in working capital, cash from operations generated \$21.8 million, as compared to \$23.9 million in fiscal 2008.

Cash from financing activities reduced cash balances during fiscal 2009 as a result of the Company's dividend payments and its repurchase and cancellation of shares under its NCIB program. The Company expended approximately \$10.3 million on dividend payments during fiscal 2009, as compared to \$11.0 million in the prior year. During fiscal 2009, the Company expended cash to repurchase and cancel 559,148 common shares for \$8.4 million, an average cost of \$15.05, as compared to 559,583 shares for \$10.3 million, an average cost of \$18.45 in fiscal 2008.

Cash consumed to purchase capital assets and intangible assets for continuing operations amounted to \$9.2 million in fiscal 2009, as compared to \$1.7 million in the prior year. Expenditures for patent acquisitions and exclusive patent licensing rights are expected to be lower in fiscal 2010 than in fiscal 2009.

Net cash generated by discontinued operations in fiscal 2009 amounted to \$4.8 million, as compared to \$22.2 million in fiscal 2008. Net cash from discontinued operations in fiscal 2009 was generated primarily by the collection of final escrow amounts related to the sale of non-core assets during prior fiscal years.

The Company continues to have a \$10.0 million bank credit facility, less the off balance sheet arrangements discussed below, available to cover fluctuations in cash requirements. The Company had no borrowings against this facility in fiscal 2009 or fiscal 2008. The available operating line within this credit facility is calculated using a formula based on accounts receivable.

Management believes that the Company is sufficiently capitalized to meet its operating cash flow requirements in fiscal 2010.

**Off Balance Sheet Arrangements**

At the end of fiscal 2009, the Company had in place an irrevocable standby letters of credit in the amount of \$6.5 million related to operations. The Company expects to liquidate approximately \$5.0 million of this letter of credit in the first quarter of fiscal 2010.

**Fourth Quarter Fiscal 2009 Results**

Revenues increased 6% compared to the fourth quarter of fiscal 2008, primarily due to the timing of licensing agreements. The nature of the Company's business often involves large-dollar contracts to derive revenues, and the pace of negotiations is not solely within the control of the Company. As such, there can be significant variation from quarter to quarter in the amount of revenue recognized by the Company.

Patent portfolio management expenses increased 18%, as compared to the same quarter in the prior year. The increase is due to greater patent filing activity as a result of the increased size of the patent portfolio.

Patent licensing and litigation expenses decreased 47% compared to the same quarter in the prior year. The decrease is due to decreased litigation and support costs with respect to the case against Micron.

R&D expenses increased 9% compared to the same quarter in the prior year, due to the timing of expenses, and were in line with management's estimate.

G&A expenses increased 28%, as compared to the same quarter in the prior year, due primarily to the timing of expenses.

Patent amortization and imputed interest expense increased 19%, as compared to the same period in the prior year. The increase is due to increased patent portfolio amounts related to patents acquired in fiscal 2009.

Net interest income decreased 69% as compared to the same period in the prior year due to lower cash balances and lower yields.

Tax expense for the fourth quarter of fiscal 2009 was 35% of income before tax and discontinued operations. The effective tax rate, removing non-recurring items, for Q4 fiscal 2009 and the comparable period was 32%.

Discontinued operations, net of tax, of \$146,000 during the quarter consisted primarily of the recognized portion of the gain on the sale of the facility partially offset by the provision related to expected unrecoverable costs as part of the lease-back. The deferred gain on the sale of the facility at April 30, 2009 was \$1.8 million, of which \$1.0 million is classified as a long-term amount, and will be recognized over the remainder of the lease-back period.

Cash generated by operations, before the change in working capital, during the quarter amounted to \$8.5 million, as compared to \$4.3 million for the same quarter in the prior year. Non-cash working capital changes decreased cash by \$6.4 million in Q4 fiscal 2009, as compared to \$3.1 million for the same period in the prior year. The change in non-cash working capital items during Q4 2009 was driven primarily by the increase of accounts receivable and decrease in accounts payable and accrued liabilities.

#### Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As of April 30, 2009, there were 10,184,323 common shares issued and outstanding. As of April 30, 2009, the Company can grant up to 796,605 options under the Company's Employee and Director Stock Option Plan, of which 564,595 have been granted and are outstanding.

## Critical Accounting Estimates

### Revenue Recognition

The Company recognizes revenue from fixed payments associated with long-term license arrangements as payments become due from the customer. Royalty revenue from long-term license agreements, which is typically based upon sale of product by the licensee, is recognized upon notification of the sale by the licensee. In determining the amount of revenue to be recognized in each period, the Company relies on CICA Handbook Section 3400, Revenue, CICA Emerging Issues Committee Extract EIC-141, Revenue Recognition, U.S. Statement of Position (SOP) No. 97-2, Software Revenue Recognition and the presumption that the fee is not fixed and determinable when extended payment terms have been granted to the customer.

In certain long-term patent licensing arrangements, the Company has granted price protection to licensees regarding future payments if lower prices are subsequently granted to other customers for comparable license terms. Determining

whether such terms are comparable requires the use of judgment by the Company. In the Company's judgment, to date, no such comparable terms have been granted. While the Company endeavors to ensure such circumstances do not occur, there can be no assurance that such circumstances will not occur in the future.

### Accounting for Income Taxes

While the Company currently operates from a sole location in Canada, previously it did have locations in multiple taxation jurisdictions globally. These non-Canadian jurisdictions are in the process of being wound down for tax purposes. The Company's current year tax rate, therefore, is determined primarily by Canadian statutory rates. Prior years' rates are affected by the relative profitability of its operations in various geographic regions. Tax planning strategies are employed which, by their nature, involve complicated transactions. Those transactions are subject to review or audit by taxation authorities, and the ultimate tax outcome bears a measure of uncertainty. As such, the Company must make estimates and judgments based on its knowledge and understanding of local and international tax legislation in determining its worldwide tax provision. It may take a considerable period of time for the ultimate tax outcome to be known. In the past, the Company has made adjustments as a result of these changes in circumstance. These adjustments have been accounted for as changes in estimate, and the effect of these changes have not been significant on the Company's results of operations and financial condition. The Company believes that its estimates are reasonable; however, it will adjust its estimates as circumstances change. Therefore, the ultimate tax outcome could differ materially from the amounts recorded in the financial statements. These differences could have a material effect on the Company's financial position and net income in the period such determination is made.

The Company recognizes a future income tax asset to the extent that it is more likely than not to be utilized to offset estimated future income taxes payable. The main factors considered in determining the value of the asset include:

- cumulative losses in recent years;
- history of loss carry forwards and other tax assets expiring;
- the carry forward period associated with the future tax assets;
- the nature of the income that can be used to realize the deferred tax assets;
- current period net earning/loss; and
- future earnings potential determined through the use of internal forecasts.

In evaluating the positive and negative evidence, the weight given to each must be proportionate to the extent to which it can be objectively verified. If it is the Company's belief that some portion of this asset will not be realized, that portion is not recorded in the financial statements.

### Valuation of Acquired Intangibles

When appropriate, the Company engages an independent professional valuator to assist in the calculation of the fair value

of certain intangible assets, primarily patents, at the time of acquisition. Such valuation typically involves judgment related to items, including but not limited to, timing and magnitude of cash flows, market interest rates, comparable licensing rates, and risk premiums. The amortization period for acquired intangible assets is established by management after consideration of factors including legal life remaining for the intangible asset, potential impact of obsolescence, and the expected useful life of the asset.

### Impairment of Intangible Assets

Annually, or more frequently when circumstances warrant, the Company assesses its capital and intangibles assets for potential impairment of carrying value. An impairment expense is recorded if the asset's net recoverable amount is less than its carrying value. Such an assessment requires management to make estimates regarding the timing and magnitude of cash flows, interest rates and risk premiums.

## Changes in Accounting Policies Including Initial Adoption

The accounting policies used to prepare the financial statements for fiscal 2009 are the same as those used to prepare the financial statements for fiscal 2008, except as follows:

### Capital Management

Section 1535, Capital disclosures, requires the Company to disclose information about the Company's objectives, policies and procedures for the management of its capital.

### Financial Instruments - Disclosures and Presentation

Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation replace section 3861, Financial Instruments - Disclosure and Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instrument classification is as follows:

Cash and marketable securities	Held-for-trading
Accounts receivable	Loans and receivables
Derivative assets and liabilities	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Long-term liabilities	Other liabilities

## Future Accounting Pronouncements

### Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

### International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Starting with the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for fiscal 2011.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP. However, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

### Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The Section establishes standards for

the accounting for a business combination. The Company is currently assessing the future impact of this new standard on its financial statements.

## Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

## Financial Instruments

The Company uses financial instruments, principally forward exchange contracts, in its management of foreign currency exposures. These contracts require the Company to purchase and sell certain foreign currencies in exchange for Canadian dollars at contractual rates.

At the end of fiscal 2009, the Company had commitments to sell to various financial institutions US\$27.1 million in exchange for Canadian dollars at an average rate of \$1.2426 by April 2010. Also, at the end of fiscal 2009, the Company had commitments to buy from various financial institutions US\$15.0 million in exchange for Canadian dollars at an average rate of \$1.2326 by February 2011.

Canadian chartered banks are counterparties to the Company's forward exchange contracts. It is the Company's practice to monitor the financial standing of the counterparties and limit the amount of exposure to any one institution. The Company may be exposed to a credit loss in the event of non-performance by the counterparties to these contracts, but does not anticipate such non-performance.

The recorded amounts of current assets and current liabilities approximate their fair value due to their relatively short maturity period.

With respect to accounts receivable, credit risk is limited through the use of credit insurance and letters of credit and guarantee, when deemed appropriate by Management and when available.

### Selected Annual Information

(In thousands of dollars, except per share amounts)

	FY09	FY08	FY07
Revenues	\$ 62,538	\$ 55,072	\$ 59,981
Income before discontinued operations	\$ 4,816	\$ 10,855	\$ 20,525
Net income	\$ 5,845	\$ 18,474	\$ 24,709
Earnings per share			
Basic - before discontinued operations	\$ 0.47	\$ 0.99	\$ 1.85
Diluted - before discontinued operations	\$ 0.47	\$ 0.98	\$ 1.81
Basic - net income	\$ 0.57	\$ 1.69	\$ 2.23
Diluted - net income	\$ 0.57	\$ 1.67	\$ 2.18
Total assets	\$172,459	\$170,259	\$186,700
Total long-term financial liabilities	\$ 28,799	\$ 31,195	\$ 38,313
Cash dividends	\$ 10,320	\$ 10,958	\$ 11,102

## Summary of Quarterly Results

(In thousands of dollars, except per share amounts)

	Q409	Q309	Q209	Q109	Q408	Q308	Q208	Q108
Revenues	\$18,036	\$18,055	\$13,795	\$12,652	\$16,959	\$13,992	\$11,526	\$12,595
Earnings before discontinued operations	\$ 5,475	\$ 2,145	(\$ 3,996)	\$ 1,192	\$ 3,913	(\$ 1,291)	\$ 4,498	\$ 3,735
Per share	\$ 0.54	\$ 0.21	(\$ 0.39)	\$ 0.11	\$ 0.36	(\$ 0.12)	\$ 0.40	\$ 0.34
Per diluted share	\$ 0.54	\$ 0.21	(\$ 0.39)	\$ 0.11	\$ 0.36	(\$ 0.12)	\$ 0.40	\$ 0.33
Net earnings (loss)	\$ 5,621	\$ 2,291	(\$ 3,427)	\$ 1,360	\$ 5,425	(\$ 1,220)	\$ 4,734	\$ 9,535
Per share	\$ 0.55	\$ 0.23	(\$ 0.33)	\$ 0.13	\$ 0.51	(\$ 0.11)	\$ 0.43	\$ 0.86
Per diluted share	\$ 0.55	\$ 0.23	(\$ 0.33)	\$ 0.13	\$ 0.50	(\$ 0.11)	\$ 0.43	\$ 0.85

## Risk Factors

The following are identified risks to MOSAID's business performance and profitability:

**Market risk.** Most of MOSAID's revenue currently comes from the memory industry through licensing revenues primarily associated with DRAM. The DRAM market is volatile and cyclical. Market weakness, in any of the Company's target markets, would suppress royalty-based revenues, and make it more difficult to negotiate and close future IP licensing deals.

The generation of licensing revenues is dependent on reaching acceptable settlements with the parties with whom MOSAID is in negotiations. There can be no assurance that MOSAID will be able to settle with these parties.

**Legal risk.** MOSAID's future growth and profitability rests on its ability to generate value from the Company's patent portfolio. Unfavourable rulings in MOSAID's lawsuits against prospective licensees could damage its ability to generate future revenues and profits from its IP. Further risks include changes in laws that would limit the rights of patent holders, as well as legal rulings and/or regulatory investigations or complaints having an adverse impact on the validity, enforceability, potential royalty rates, and strength or breadth of coverage of MOSAID's patents.

**Foreign currency risk.** MOSAID's sales are denominated primarily in U.S. dollars or Euros. The Company uses derivative instruments to manage risks associated with currency fluctuations. These instruments allow MOSAID to fix the rate at which foreign currencies will be converted to Canadian dollars at the time that sales or contracts are negotiated. However, the term of such instruments is limited, therefore, they do not offer a long-term hedge against adverse foreign currency fluctuations.

**Risk of non-payment.** Generally, MOSAID's revenues are not insured. When revenues are not insured, the Company relies on the reputation and creditworthiness of its licensees.

During fiscal 2009, the global economic recession and the ongoing downturn in the DRAM industry impacted a number of MOSAID's licensees. Most significantly, Qimonda of Germany, a company representing more than 10% of the Company's consolidated revenues, filed for insolvency protection and subsequently and unilaterally ended its patent license agreement with MOSAID. The Company has in place a credit insurance policy covering 90% of four quarterly payments, beginning with the payment due from Qimonda during Q3 fiscal 2009. There is a significant likelihood that amounts due in future from Qimonda to the Company, and which are not covered by credit insurance, will become uncollectible, resulting in a materially adverse impact to the Company. A default by another significant licensee could have a material adverse impact on the future revenues, earnings, financial position and cash flows of the Company.

**Loss of key employees.** The sustainability of MOSAID's growth depends on the quality of its employees. The loss of key employees could pose a threat to the degree of success of MOSAID. The Company strives to maintain a competitive level of salaries and benefits, and provides incentives for superior performance and inventiveness, as well as an employee stock option plan.

**Maintenance of a minimum cash position.** Litigation requires that MOSAID continue to be well financed to pose a credible litigation threat to its adversaries. The Company believes that it is adequately capitalized to meet this and other financial requirements of its business.

**Licensee concentration.** In fiscal 2009, revenue from four of the Company's licensees amounted to more than 10% of consolidated revenues from operations. Revenue from one licensee was 24%; revenues from the other licensees were 24%, 18% and 10% respectively.

**Arbitrage Risk.** The Company has purchased patents and intends to acquire further patents which it believes can be asserted to the Company's advantage. Other companies

have similar interests, and the market for such assets may become more competitive, thus reducing the opportunity for the Company to enjoy superior returns from this avenue for growth.

## Evaluation of Internal Controls

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the year ended April 30, 2009 and have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which the annual filings were being prepared.

Management is also responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide such reasonable assurance.

The Company has identified the need for improvement with regards to segregation of duties and matters of taxation. These matters and their related risks are not uncommon in a company of MOSAID's size. To date, the Company has utilized external advisors and taken such other action as it has considered appropriate to minimize these risks.

During fiscal 2009, the Company made changes to its systems of internal controls that did not materially affect internal control over financial reporting.

## Other MD&A Requirements

Additional information relating to the Company, including its Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

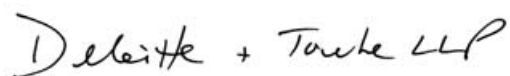
## Auditors' Report

To the Shareholders of  
MOSAID Technologies Incorporated

We have audited the consolidated balance sheets of MOSAID Technologies Incorporated as at April 30, 2009 and 2008 and the consolidated statements of income and retained earnings, cash flows and comprehensive income for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

June 5, 2009

# Management's Responsibility for Consolidated Financial Statements

Management of MOSAID Technologies Incorporated is responsible for the integrity of the accompanying Consolidated Financial Statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Their preparation necessarily involves the use of estimates and careful judgment, particularly in those circumstances where transactions affecting a current period depend on future events. All financial information in the Annual Report is consistent with the Consolidated Financial Statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control that provide reasonable assurance that the financial records are reliable and for a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further ensures the quality of the financial records through careful selection and training of personnel, and the adoption and communication of financial and other relevant policies.

The Board of Directors discharges its responsibilities for the financial statements primarily through the activities of its Audit Committee, which is composed of directors who are not employees of the Company. This committee meets quarterly with management, and annually with independent auditors, to review performance and to discuss audit, internal control, accounting policy and financial reporting matters. The Consolidated Financial Statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LLP, who were appointed by the shareholders at the Annual General Meeting. Their report is presented herein.



**John C. Lindgren**

President and  
Chief Executive Officer



**Joseph R. Brown**

Vice President and  
Chief Financial Officer

Mosaic Technologies Incorporated

# Consolidated Balance Sheets

(In thousands of Canadian Dollars)

Year Ended	April 30, 2009	April 30, 2008
<b>Current Assets</b>		
Cash and cash equivalents	\$ 32,899	\$ 22,133
Marketable securities (Note 15)	18,888	36,246
Accounts receivable	10,434	12,304
Prepaid expenses	759	486
Other asset (Note 15)	446	-
Future income taxes recoverable (Note 11)	11,519	11,015
	<b>74,945</b>	<b>82,184</b>
<b>Capital assets (Note 3)</b>	<b>563</b>	<b>957</b>
<b>Acquired intangible assets (Note 3)</b>	<b>79,402</b>	<b>70,130</b>
<b>Future income taxes recoverable (Note 11)</b>	<b>17,549</b>	<b>16,988</b>
	<b>\$172,459</b>	<b>\$170,259</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 6,341	\$ 7,723
Income tax payable	1,432	356
Deferred revenue	3,432	1,146
Other liability (Note 15)	-	318
Current portion of other long-term liabilities (Note 5)	20,869	5,345
	<b>32,074</b>	<b>14,888</b>
<b>Deferred gain on sale-leaseback (Note 4)</b>	<b>1,039</b>	<b>1,797</b>
<b>Other long-term liabilities (Note 5)</b>	<b>28,799</b>	<b>31,195</b>
	<b>61,912</b>	<b>47,880</b>
<b>Shareholders' Equity (Note 6)</b>		
Share capital (Note 7)	94,741	100,403
Contributed surplus (Note 6)	3,753	2,997
Retained earnings	11,607	19,297
Accumulated other comprehensive income (Note 6)	446	(318)
	<b>110,547</b>	<b>122,379</b>
	<b>\$172,459</b>	<b>\$170,259</b>

See accompanying Notes to the Consolidated Financial Statements



**Carl Schlacte**  
Chairman of the Board



**Normand Paquette**  
Director and Chairman of the Audit Committee

**Mosaid Technologies Incorporated**

## Consolidated Statements Of Income And Retained Earnings

(In thousands of Canadian Dollars, except per share amounts)

Year Ended	April 30, 2009	April 30, 2008
<b>Revenues</b>	<b>\$ 62,538</b>	\$ 55,072
<b>Operating expenses</b>		
Patent portfolio management	5,048	4,834
Patent licensing and litigation	21,230	13,643
Research and development (Note 9)	2,274	2,351
General and administration	4,406	4,312
Foreign exchange loss (gain)	6,791	(3,393)
Stock-based compensation (Note 8)	790	550
Patent amortization and imputed interest	13,881	13,223
	<b>54,420</b>	35,520
Income from operations	8,118	19,552
Net interest income (Note 10)	1,621	2,130
Income before income tax expense and discontinued operations	9,739	21,682
Income tax expense (Note 11)	4,923	10,827
Income before discontinued operations	4,816	10,855
Discontinued operations income (net of tax) (Note 12)	1,029	7,619
<b>Net income</b>	<b>5,845</b>	18,474
Dividends	10,320	10,958
Normal course issuer bid (Note 7)	3,215	5,120
<b>Retained earnings, beginning of year</b>	<b>19,297</b>	16,901
<b>Retained earnings, end of year</b>	<b>\$ 11,607</b>	\$ 19,297
<b>Earnings per share (Note 13)</b>		
Basic – before discontinued operations	\$0.47	\$0.99
Diluted – before discontinued operations	\$0.47	\$0.98
Basic – net earnings	\$ 0.57	\$ 1.69
Diluted – net earnings	\$ 0.57	\$ 1.67
<b>Weighted average number of shares</b>		
Basic	10,324,043	10,962,648
Diluted	10,337,827	11,057,861

See accompanying Notes to the Consolidated Financial Statements

**Mosaid Technologies Incorporated**

# Consolidated Statements Of Cash Flows

(In thousands of Canadian Dollars)

Year Ended	April 30, 2009	April 30, 2008
<b>Operating</b>		
Income before discontinued operations	<b>\$ 4,816</b>	\$10,855
Items not affecting cash		
Amortization of capital assets and acquired intangible assets	<b>10,320</b>	9,653
Stock-based compensation	<b>790</b>	550
Loss on disposal of capital assets	<b>76</b>	95
Unrealized foreign exchange loss (gain) on other long-term liabilities	<b>6,536</b>	(3,999)
Future income tax	<b>(1,065)</b>	6,743
	<b>21,473</b>	23,897
Change in non-cash working capital items from continuing operations (Note 14)	<b>(745)</b>	(9,341)
	<b>20,728</b>	14,556
<b>Investing</b>		
Acquisition of capital assets and acquired intangible assets	<b>(9,152)</b>	(1,708)
Acquisition of short-term marketable securities	<b>(60,135)</b>	(119,460)
Proceeds on disposal and maturity of short-term marketable securities	<b>77,493</b>	110,090
	<b>8,206</b>	(11,078)
<b>Financing</b>		
Repayment of mortgage	-	(4,346)
Increase in long-term liabilities	<b>(3,633)</b>	(4,081)
Repurchase of common shares	<b>(8,415)</b>	(10,324)
Dividends	<b>(10,320)</b>	(10,958)
Funding of Restricted Share Unit Plan	<b>(825)</b>	-
Issue of common shares	<b>268</b>	2,702
	<b>(22,925)</b>	(27,007)
Net cash inflow (outflow) from continuing operations	<b>6,009</b>	(23,529)
Net cash inflow from discontinued operations (Note 12)	<b>4,757</b>	22,266
<b>Net cash inflow (outflow)</b>	<b>10,766</b>	(1,263)
<b>Cash and cash equivalents, beginning of year</b>	<b>22,133</b>	23,396
<b>Cash and cash equivalents, end of year</b>	<b>\$32,899</b>	\$22,133
<b>Supplementary Information:</b>		
Cash on hand and bank balances	<b>\$ 6,438</b>	\$ 8,126
Short-term investments	<b>26,461</b>	14,007
Total cash and cash equivalents	<b>\$32,899</b>	\$22,133

See accompanying Notes to the Consolidated Financial Statements

**Mosaid Technologies Incorporated**

## Consolidated Statements Of Comprehensive Income

(In thousands of Canadian Dollars)

Year Ended	April 30, 2009	April 30, 2008
Net income	<b>\$5,845</b>	\$18,474
Other comprehensive income, net of tax:		
Gains (losses) on derivatives designated as cash flow hedges	<b>(2,602)</b>	846
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to revenue in the current period	<b>3,366</b>	(1,164)
Other comprehensive income (loss)	<b>764</b>	(318)
Comprehensive income	<b>\$6,609</b>	\$18,156

See accompanying Notes to the Consolidated Financial Statements

## Notes To The Consolidated Financial Statements

### Years ended April 30, 2009 and 2008

(tabular dollar amounts in thousands of Canadian Dollars, except per share amounts)

### 1. Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

#### Consolidation

These consolidated financial statements include the accounts of MOSAID Technologies Incorporated and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated. Wholly owned subsidiaries include:

- MOSAID Systems Incorporated
- MOSAID Technologies Corporation
- MOSAID Technologies U.K. Limited
- MOSAID International Inc.

#### Cash and cash equivalents

Cash and cash equivalents include all readily tradable instruments such as bonds, debentures and discount notes with an original maturity of three months or less.

#### Marketable securities

Marketable securities include readily tradable instruments such as bonds, debentures and discount notes with original maturities in excess of three months and are carried at their fair value as they are classified as held for trading.

#### Capital assets and acquired intangible assets

Capital assets are recorded at cost. Acquired intangible assets are recorded at their fair value at the date of acquisition. Amortization is provided over the estimated useful lives of the assets as follows:

Equipment	2.5-5.0 years straight-line
Furniture and fixtures	20% declining balance
Acquired intangible assets	1-9 years

Capital assets and acquired intangible assets are assessed for impairment when events or circumstances indicate that their carrying value may not be recovered. An impairment loss is recorded if the asset's net recoverable amount (based on estimates of undiscounted cash flows) is less than its carrying value. Acquired intangible assets consist of patents and exclusive patent rights.

#### Research and development

Research costs are expensed as incurred. Development costs are deferred once technical feasibility has been established and all criteria for deferral under generally accepted accounting principles are met. Such costs are amortized, commencing when the product is released, over the expected life of the product. To date, no development costs have met the criteria for deferral.

#### Government assistance and investment tax credits

Government assistance and investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

#### Revenue recognition

Revenue from fixed payments associated with long-term license agreements is recognized as payments become due from the licensee. Provisions for price protection are recorded as a reduction of revenue when lower prices are subsequently granted

for comparable license terms. Royalty revenue from long-term license agreements, which is typically based upon sale of product by the licensee, is recognized upon notification of the sale by the licensee.

Deferred revenue arises on license agreements where the earnings process is complete but there is not reasonable assurance of collectibility at the time of billing or on the gain on sale and leaseback of property.

### **Foreign currency translation**

The accounts of the Company's foreign subsidiaries, which are considered to be fully integrated subsidiaries, and accounts in foreign currencies have been translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates. Revenues and expenses are translated at rates in effect during the year except for amortization, which is translated at the same rate as the assets to which it relates. The resulting translation adjustments are included in the determination of net income.

### **Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the future income tax asset and liability is to be included in the determination of net income. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The Company recognizes future income tax assets to the extent that they are more likely than not to be utilized.

### **Stock-based compensation plans**

The Company has an Employee and Director Stock Option Plan (ESOP) as described in Note 7 to these financial statements. The Company uses the Black-Scholes option pricing model to measure compensation expense relating to options. The fair value of the stock-based compensation is recorded as a charge to earnings based on the vesting period with a corresponding charge to contributed surplus. Upon the exercise of stock options, share capital is increased by the amount paid by the employees as well as the amounts previously added to contributed surplus when compensation costs were charged to earnings.

### **Employee stock purchase plan**

The Company has an Employee and Director Stock Purchase Plan (ESPP) as described in Note 7 to these financial statements. The Company measures and recognizes compensation expense based on the fair-value of the stock using the Black-Scholes pricing model. Funds received over each six-month period are added to share capital when received by the Company.

### **Deferred share unit plan**

The Company has a Deferred Share Unit (DSU) Plan (DSU Plan) as described in Note 7 to these financial statements. The Company accounts for DSUs as an expense over the vesting period of the DSUs using the fair value of the common shares, as determined by the closing price of the Company's publicly traded common shares on the reporting date.

### **Restricted share unit plan**

The Company has a Restricted Share Unit (RSU) Plan (RSU Plan) as described in Note 7 to these financial statements. The Company funds an independent trustee to purchase the required shares when the RSU is granted. The Company recognizes compensation expense, as measured by the purchase price of the shares, over the vesting period.

### **Financial instruments**

The Company classifies its financial instruments as loans and receivables, held for trading or other liabilities. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and management's intent. Management determines the classification of financial assets and liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The Company designated its cash and cash equivalents, marketable securities, and derivative assets and liabilities as held for trading, which are measured at fair value, with changes in fair value being recorded in net earnings except in the case of hedging relationships where the fair value is recorded in other comprehensive income. Accounts receivable have been classified as loans and receivables, which are measured at amortized cost. Accounts payables and accrued liabilities and long-term liabilities have been classified as other financial liabilities, which are measured at amortized cost.

### **Hedging relationships and derivative financial instruments**

The Company utilizes derivative financial instruments in the management of its foreign currency exposures. The Company's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Company applies hedge accounting when appropriate documentation and effectiveness criteria are met.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific contractually related firm commitments on projects.

The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are recorded on the balance sheet as other assets or liabilities at fair value, with changes in fair value recorded in net income unless the derivative is designated as a cash flow hedge. Fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place at the end of the period. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded in other comprehensive income and is recognized in net income when the hedged item affects net income. The Company expenses transaction costs related to its foreign exchange contracts.

### **Comprehensive income**

Comprehensive income includes net earnings and other comprehensive income (OCI). Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders. It includes items that would not normally be included in net earnings, such as gains and losses on cash flow hedges.

### **Transaction costs**

To comply with CICA 3855, Financial Instruments – Recognition and Measurement, an entity must decide on the initial measurement of financial assets and liabilities (other than those classified as held for trading) and whether transaction costs will be added to the investment cost or expensed in net income. Emerging Issues Committee (EIC) 166, Accounting Policy Choice for Transaction Costs, provides guidance on whether an entity must make one accounting policy choice for all qualifying financial assets and financial liabilities classified as other than held for trading or whether transaction costs can be added to the cost base for some instruments and expensed for others. The EIC reached a consensus that the same accounting policy choice should be made for all similar financial instruments classified as other than held for trading, but that a different accounting policy choice might be made for financial instruments that are not similar. The Company has adopted the policy of recognizing transaction costs on all financial assets classified as available for sale in net income.

### **Use of accounting estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses. Significant estimates included in these financial statements relate to capital and intangible asset impairment charges, amortization, allowance for doubtful accounts, accruals, restructuring accruals, future income taxes and contingencies. Actual results could differ from those estimates.

## **2. Adoption of New Accounting Standards**

Effective May 1, 2008 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

### **Capital Management**

Section 1535, Capital Disclosures, requires the Company to disclose information about the Company's objectives, policies and procedures for the management of its capital.

### **Financial Instruments - Disclosures and Presentation**

Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation replace section 3861, Financial Instruments - Disclosure and Presentation. These sections require the disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instrument classification is as follows:

Cash and marketable securities	Held-for-trading
Accounts receivable	Loans and receivables
Derivative assets and liabilities	Held-for-trading
Accounts payable and accrued liabilities	Other liabilities
Long-term liabilities	Other liabilities

### 3. Capital Assets and Acquired Intangible Assets

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 3,152	\$ 2,623	\$ 529	\$ 4,234	\$ 3,440	\$ 794
Furniture and fixtures	328	294	34	1,090	927	163
	<b>\$ 3,480</b>	<b>\$ 2,917</b>	<b>\$ 563</b>	<b>\$ 5,324</b>	<b>\$ 4,367</b>	<b>\$ 957</b>

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Acquired intangible assets	<b>\$101,733</b>	<b>\$22,331</b>	<b>\$79,402</b>	\$82,391	\$12,261	\$70,130

### 4. Deferred Gain on Sale-Leaseback

During fiscal 2008 the Company sold its corporate headquarters consisting of land and a building for total proceeds of \$10.5 million. The Company then entered into an operating lease agreement with the purchaser to lease-back 15,500 square feet of office space for seven years for its own use and assumed responsibility for subletting 50,000 square feet for two years. The sale resulted in a total gain of \$5.0 million less transaction costs of \$313,625, of which \$2.7 million is being deferred and amortized over the term of the lease.

	2009	2008
Deferred gain on sale-leaseback, beginning of the year	<b>\$2,605</b>	\$2,672
Portion of gain recognized during the year	<b>(808)</b>	(67)
Deferred gain on sale-leaseback, ending	<b>1,797</b>	2,605
Current portion (recorded in current portion of deferred revenues)	<b>758</b>	808
Deferred gain on sale-leaseback, long-term	<b>\$1,039</b>	\$1,797

### 5. Other Long-Term Liabilities

Other long-term liabilities resulted from the purchase of patents and the exclusive sub-licensing rights.

	2009	2008
Other long-term liabilities	<b>\$49,668</b>	\$36,540
Current portion	<b>20,869</b>	5,345
	<b>\$28,799</b>	\$31,195

At April 30, 2009, other long-term liabilities includes USD denominated currency in the amount of \$41.1 million (2008 - \$36.2 million). Imputed interest expense of \$3.8 million was recorded for fiscal year 2009 (2008 - \$3.9 million) at a rate of 10%.

Principal repayments over the next five years are expected to be as follows:

2010	\$21,098
2011	\$ 8,420
2012	\$ 8,420
2013	\$ 5,970
2014 and thereafter	\$17,910

## 6. Shareholders' Equity and Other Comprehensive Income

The following are the changes in shareholders' equity for the years ended April 30, 2009 and April 30, 2008:

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
<b>Balance at April 30, 2008</b>	<b>10,719,807</b>	<b>\$100,403</b>	<b>\$2,997</b>	<b>\$19,297</b>	<b>(\$318)</b>	<b>\$122,379</b>
Net income	-	-	-	5,845	-	5,845
Dividends	-	-	-	(10,320)	-	(10,320)
Employee and Director Stock Option Plan	14,713	222	(68)	-	-	154
Employee and Director Stock Purchase Plan	8,951	142	34	-	-	176
Stock-based compensation	-	(826)	790	-	-	(36)
Normal course issuer bid	(559,148)	(5,200)	-	(3,215)	-	(8,415)
Other comprehensive income	-	-	-	-	764	764
<b>Balance at April 30, 2009</b>	<b>10,184,323</b>	<b>\$ 94,741</b>	<b>\$3,753</b>	<b>\$11,607</b>	<b>\$446</b>	<b>\$110,547</b>

	Common shares (number)	Common shares (\$)	Contributed surplus (\$)	Retained earnings (\$)	Accumulated other comprehensive income (\$)	Total (\$)
Balance at April 30, 2007	11,055,376	\$102,276	\$2,992	\$16,901	-	\$122,169
Net income	-	-	-	18,474	-	18,474
Dividends	-	-	-	(10,958)	-	(10,958)
Employee & Director Stock Option Plan	219,283	3,267	-	-	-	3,267
Employee & Director Stock Purchase Plan	4,731	64	(545)	-	-	(481)
Stock-based compensation	-	-	550	-	-	550
Normal course issuer bid	(559,583)	(5,204)	-	(5,120)	-	(10,324)
Other comprehensive income	-	-	-	-	(318)	(318)
Balance at April 30, 2008	10,719,807	\$100,403	\$2,997	\$19,297	(\$318)	\$122,379

## 7. Share Capital

### Authorized

Unlimited number of common shares.

Issued	Common Shares	
	Number	Amount
Outstanding April 30, 2007	11,055,376	\$102,276
Exercise of employees' options	219,283	3,267
Employee stock purchase plan	4,731	64
Purchases under normal course issuer bid	(559,583)	(5,204)
Outstanding April 30, 2008	10,719,807	100,403
Exercise of employees' options	14,713	222
Employee stock purchase plan	8,951	142
Funding of RSU plan	-	(826)
Purchases under normal course issuer bid	(559,148)	(5,200)
Outstanding April 30, 2009	10,184,323	\$ 94,741

### Share capital

During the second quarter of fiscal 2008, the Company instituted a normal course issuer bid, as approved by the Toronto Stock Exchange (the TSX). Under the terms of the normal course issuer bid, the Company had the right to purchase up to a maximum of 559,583 common shares (representing approximately 5% of the issued and outstanding shares as at September 13, 2007). In May 2008, the Company announced its plan to amend the terms of its normal course issuer bid to increase the number of common shares to be purchased from 559,583 to 1,118,731. The increase was from 5% of the Company's outstanding common shares to 10% of the public float of common shares, as of September 13, 2007. The amended issuer bid was approved by the TSX. During fiscal year 2009, the Company repurchased 559,148 common shares (2008 - 559,583) in accordance with the amended normal course issuer bid for a total cost of \$8,414,596 (2008 - \$10,323,704). Of this amount paid, \$3,214,520 was charged to retained earnings (2008 - \$5,119,582), with the balance charged to share capital. All repurchased shares were cancelled.

### Employee Stock Purchase Plan

Pursuant to the Company's ESPP, employees may elect to designate up to 5% of their annual salary to purchase common shares of the Company (Shares). For two six month periods commencing on the second business day after the Company's second quarter or fiscal year end financial results are publicly announced (each an "Offering Period"), eligible employees are given an opportunity to request that a percentage of their salary be deducted each pay period for the purpose of acquiring Shares. The purchase price under the ESPP is the lesser of 90% of the fair market value of the Shares, as determined by calculating the weighted average sale price for board lots as posted on the TSX the ten trading days immediately preceding (i) the first day of the Offering Period in which the purchase date falls or (ii) the purchase date. The Shares are not considered to be issued by the Company until the end of the six month period. During fiscal 2009, 8,951 (2008 - 4,731) shares were issued pursuant to the ESPP. As at April 30, 2009, \$111,000 (2008 - \$51,000) was committed under the ESPP but the Shares were unissued. This amount is presented as part of cash and cash equivalents on the Consolidated Balance Sheets.

### Employee and Director Stock Option Plan

Pursuant to the Company's ESOP, the maximum number of shares which may currently be issued upon the exercise of stock options granted under the ESOP cannot exceed 796,605, of which 564,595 are issued and outstanding at April 30, 2009. The exercise price is to be fixed by the Human Resources Committee of the Board of Directors, but shall not be lower than the closing price of the shares on the TSX on the day prior to the date of grant. Options granted under the ESOP currently expire within a period of six years of granting, with vesting periods determined by the Human Resources Committee.

A summary of the status of the ESOP as of April 30, 2009 and April 30, 2008 and changes during the years ending on those dates are presented below:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at start of the year	396,519	\$17.47	541,024	\$15.18
Granted	195,639	\$11.71	178,903	\$20.75
Exercised	(14,713)	\$ 8.67	(219,283)	\$12.04
Forfeited	(12,850)	\$19.59	(104,125)	\$22.68
Outstanding at end of year	564,595	\$15.65	396,519	\$17.47
Options exercisable at year-end	221,373	\$15.60	161,879	\$13.03

#### FY09

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$10.25 - \$11.66	304,989	3.57	\$11.13	112,850	\$10.25
\$14.87 - \$17.66	11,875	2.96	\$16.16	6,625	\$16.60
\$20.22 - \$21.61	231,731	3.81	\$20.98	91,773	\$21.16
\$23.15 - \$26.25	16,000	2.78	\$24.30	10,125	\$24.19
\$10.25 - \$26.25	564,595	3.64	\$15.65	221,373	\$15.60

#### FY08

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 5.60 - \$ 5.60	4,663	0.47	\$ 5.60	4,663	\$ 5.60
\$10.10 - \$11.30	125,150	1.60	\$10.24	115,150	\$10.25
\$16.14 - \$23.50	257,706	4.72	\$20.93	39,441	\$21.24
\$24.50 - \$31.97	9,000	4.12	\$25.00	2,625	\$25.10
\$ 5.60 - \$31.97	396,519	3.67	\$17.47	161,879	\$13.03

## 8. Stock-based Compensation

The fair value of employee stock options granted after April 26, 2002 is recognized as compensation cost. During the year ended April 30, 2009, \$790,000 (2008 - \$632,000) was added to Contributed Surplus as a result of the compensation expense. During the year ended April 30, 2009, \$91,000 (2008 - \$627,000) was reclassified from Contributed Surplus to Share Capital related to options exercised. All options outstanding at April 30, 2009 have been granted with equal annual vesting over a four year vesting period.

The weighted average fair value of options granted during the year was calculated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk free interest rate	2.7%	2.9%
Expected life in years	5.5	5.5
Expected dividend yield	8.6%	6.2%
Volatility	43.26%	53.81%

The weighted average fair value per option granted during the year ended April 30, 2009 is \$2.17 (fiscal 2008 - \$7.94).

During fiscal 2006, the Company established a DSU Plan. DSUs vest evenly over a four year period. In addition, directors may elect to receive quarterly retainer amounts in the form of DSUs in lieu of cash, which vest immediately. DSUs do not have an exercise price and can only be settled using cash consideration. DSU expense during the year is recognized as compensation cost.

During fiscal 2009, the Company granted 34,111 (2008 - 88,299) DSUs in lieu of options to directors and officers of the Company under its DSU Plan. The weighted average fair value per DSU granted during the year ended April 30, 2009 is \$11.66 (2008 - \$22.40). As well, during fiscal 2009, the Company issued 7,517 (2008 - 3,493) Deferred Share Units in lieu of retainers and dividends and 1,568 (2008 - 16,988) units were settled in cash. During the year ended April 30, 2009, DSU expense was \$348,000 (2008 - \$230,000)

The Company implemented an RSU Plan for certain employees in October 2008, and has granted 72,700 RSUs under the RSU Plan. The RSUs vest over three years. Under the RSU Plan, RSUs are settled using common shares of the Company at no additional cost to the employee. During fiscal year 2009, the Company funded an independent trustee to purchase the required shares and to provide custodial services. The Company recognizes compensation expense, as measured by the purchase price of the shares, over the vesting period. During the year ended April 30, 2009, RSU expense was \$146,000 (2008 - nil).

## 9. Research and Development

Investment tax credits were applied to reduce current research and development expenses in the statements of income and retained earnings as summarized below.

	2009	2008
Total current research and development	\$2,458	\$2,491
Less: Investment tax credits	184	140
Net research and development expense	\$2,274	\$2,351

## 10. Net Interest Income

	2009	2008
Interest income	\$1,621	\$2,361
Interest expense	-	(231)
	\$1,621	\$2,130

## 11. Income Taxes

The following are components of the provision for income taxes for the fiscal years ended:

	April 30, 2009	April 30, 2008
Current	\$4,709	\$ 5,174
Future	395	6,882
	\$5,104	\$12,056

Income tax expense is comprised of:

	April 30, 2009	April 30, 2008
Continuing operations	<b>\$4,923</b>	\$10,827
Discontinued operations	<b>181</b>	1,229
	<b>\$5,104</b>	\$12,056

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to income before taxes for the following reasons:

	2009	2008
Income from continuing operations before income tax	<b>\$ 9,739</b>	\$21,682
Income from discontinued operations before income tax	<b>1,210</b>	8,848
Income before income tax expense	<b>\$10,949</b>	\$30,530
<b>Combined basic Canadian Federal and Provincial income tax at 33.33% (2008 – 35.25%)</b>	<b>\$ 3,650</b>	\$10,762
Increase (decrease) resulting from:		
Tax benefit of losses and R&D	<b>(9)</b>	(274)
Change due to substantively enacted tax rates	<b>659</b>	5,126
Permanent differences	<b>953</b>	(2,165)
Increase (reduction) in valuation allowance	<b>1,177</b>	(689)
Impact of rate reduction on value of future income tax assets	<b>(1,277)</b>	(1,262)
Other	<b>(49)</b>	558
	<b>\$ 5,104</b>	\$12,056

	2009	2008
Future income taxes consist of the following temporary differences:		
Investment tax credits	<b>\$10,815</b>	\$12,633
Reserves deductible in future periods	<b>492</b>	954
Unclaimed research and development expenses	<b>15,307</b>	7,204
Long term Ontario harmonization tax payable	<b>(5,729)</b>	-
Difference between tax and book value of capital assets	<b>8,183</b>	7,212
	<b>\$29,068</b>	\$28,003

## 12. Discontinued Operations

On February 22, 2007, the Company announced that it had signed an agreement to sell certain of its Systems Division assets to a third party. On the same day, the Company announced its decision to halt development related to its Semiconductor Intellectual Property (IP) Mobilize product family. On March 28, 2007, the Company announced it had finalized the sale of certain Systems Division assets to a third party and further announced that it would wind down its remaining Systems Division business by year-end. On April 9, 2007, the Company announced its intention to consider a public sale of its Semiconductor IP business. Accordingly, the results of operations of the Systems Division and the Semiconductor IP business, with the latter being previously part of the IP segment, have been segregated in the accompanying consolidated financial statements. On July 30, 2007, the Company concluded the sale of certain assets of its Semiconductor IP product development business to a third party. When the sale of the Semiconductor IP business was completed in fiscal 2008, the associated goodwill of \$1.8 million was written off.

The results of discontinued operations are as follows:

	2009	2008
Revenues	<b>\$ 156</b>	\$ 926
Expenses		
Research and development	<b>104</b>	1,219
Selling and marketing	<b>5</b>	1,026
Restructuring	-	31
	<b>109</b>	2,276
Gain (loss) from operations	<b>47</b>	(1,350)
Gain on sale of assets	<b>1,163</b>	10,198
Earnings before taxes	<b>1,210</b>	8,848
Income tax expense	<b>181</b>	1,229
Income from discontinued operations (net of tax)	<b>\$1,029</b>	\$7,619

The gain on sale of assets is comprised of the gain on sale of certain assets of its Semiconductor IP products business and the gain on sale of the land and building. Certain assets of the Semiconductor IP products business were sold during fiscal 2008 for total proceeds of \$16.3 million less net book value of \$3.2 million and expenses totaling \$3.9 million.

In fiscal 2008, the land and building were sold and subsequently leased-back for total proceeds of \$10.5 million less net book value of \$5.5 million and less transaction costs of \$0.3 million resulting in an economic gain of \$4.7 million. Of this gain \$1.0 million was recognized in fiscal year 2008 and \$2.7 million was deferred. The deferred amount will be recognized over the term of the lease. \$808,000 was recognized in fiscal 2009 (2008 - \$67,000).

A continuity of the restructuring accrual is:

	2009	2008
Opening balance	<b>\$2,278</b>	\$2,474
Net accrual during year	<b>24</b>	4,430
Payments during year	<b>(1,375)</b>	(4,626)
Closing balance	<b>\$ 927</b>	\$2,278

At April 30, 2009, the remaining unpaid balance of the restructuring provision related to Semiconductor IP was \$nil million (2008 - \$1.3 million), of which \$1.3 million was paid during fiscal 2009. At April 30, 2009, the provision related to the sale of the land and building was \$927,000 (2008 - \$1.0 million) and is scheduled to be paid by 2010. These balances are included with accounts payable and accrued liabilities. During fiscal 2009, the Company reversed \$670,000 of the restructuring provision related to the Semiconductor IP business and \$93,000 related to the Systems Division due to the resolution of certain legal contingencies.

The cash outflow from discontinued operations is comprised of:

	2009	2008
Net income from discontinued operations	<b>\$1,029</b>	\$ 7,619
Add:		
Write-down of capital assets	<b>101</b>	8,673
Stock option expense	<b>60</b>	82
(Decrease) increase in long-term deferred gain on sale-leaseback	<b>(808)</b>	1,797
Increase in non-cash working capital items	<b>4,375</b>	4,124
Deduct:		
Acquisition of capital assets	-	(29)
Cash inflow from discontinued operations	<b>\$4,757</b>	\$22,266

### 13. Earnings Per Share

The following is a reconciliation of the numerator and denominator of the basic and diluted per share computations.

	2009	2008
Income before discontinued operations	<b>\$4,816</b>	\$10,855
Discontinued operations	<b>1,029</b>	7,619
Net income	<b>\$5,845</b>	\$18,474

Weighted average number of common shares outstanding	<b>10,324,043</b>	10,962,648
Effect of dilutive stock options <sup>1</sup>	<b>13,784</b>	95,213
Weighted average number of common shares outstanding – dilutive <sup>2</sup>	<b>10,337,827</b>	11,057,861

	2009	2008
Basic – income before discontinued operations	<b>\$0.47</b>	\$0.99
Diluted – income before discontinued operations	<b>\$0.47</b>	\$0.98
Basic - net income	<b>\$0.57</b>	\$1.69
Diluted – net income	<b>\$0.57</b>	\$1.67

<sup>1</sup> For FY2009, excludes the effect of 259,606 options as the exercise price exceeded the average fair market value of the common stock during the period and hence are anti-dilutive. For FY2008, excludes the effect of 258,331 options as the exercise price exceeded the average fair market value of the common stock during the period and hence are anti-dilutive.

<sup>2</sup> The calculation of the weighted average number of common shares excludes any issued DSUs as the DSUs will be settled with cash, and any unissued shares related to the ESPP.

### 14. Changes in Non-cash Working Capital Items – Continuing Operations

	2009	2008
(Increase) in current assets		
Accounts receivable	<b>(\$4,297)</b>	(\$5,623)
Prepaid expenses	<b>(159)</b>	(349)
	<b>(4,456)</b>	(5,972)

Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	<b>18</b>	(3,725)
Income taxes payable	<b>1,076</b>	356
Deferred revenue	<b>2,617</b>	-
	<b>(\$ 745)</b>	(\$9,341)

Other supplementary disclosures:	2009	2008
Acquisition of acquired intangible assets by other long-term liabilities	<b>\$10,708</b>	\$1,068
Interest and income taxes paid:		
Interest paid	-	\$ 231
Taxes paid	<b>\$ 378</b>	\$4,727

At April 30, 2009, cash and cash equivalents includes foreign denominated currency, primarily United States dollars, in the amount of \$2.1 million (2008 - \$2.8 million).

### 15. Financial Instruments

The Company has exposure to the following risks from its use of financial instruments: credit risk, market and liquidity risk.

## Credit Risk

Credit risk is the risk of financial loss to the Company if a licensee or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and its foreign exchange contracts.

The Company provides credit to certain licensees in the normal course of its operations. The Company's credit risk review includes performing periodic credit evaluations of its most significant licensees. In certain circumstances, the Company may utilize letters of guarantee or credit insurance to mitigate certain credit risks. The Company's licensees are, for the most part, large national and international public companies. Due to the nature of the Company's operations, provisions for doubtful accounts are made on a licensee-by-licensee basis, based upon on-going review of licensee's financial status.

Many of the Company's current licensees operations are focused in the semiconductor industry. The semiconductor industry, particularly in the DRAM memory segment has been suffering for some time from economical difficulties due to pricing pressure as a result of over supply of memory devices. During Q3 and Q4 fiscal 2009 Qimonda AG, a company representing more than 10% of the Company's consolidated revenues, defaulted on its payments due to the Company. The Company has in place a credit insurance policy which covers 90% of those payments and the following two quarterly payments. As a result, the Company has recorded as revenue 90% of the current amount due from Qimonda AG, which is expected to be recovered via insurance.

Also during Q3 and Q4 fiscal 2009, two other licensees defaulted on payments due. The Company has recorded the amounts as accounts receivable but has deferred the related revenue due to the collectibility issues. At this time, management has not recorded an allowance for doubtful account.

Due to the long-term nature of the Company's licensing arrangements and the prolonged downturn in the semiconductor industry, in certain circumstances, the Company may not be able to obtain, at reasonable cost, credit insurance or other forms of credit risk migration instruments. A default of the remaining payments by one of the Company's major licensees could have a materially adverse impact on the Company's future revenues, earnings, cash flow and financial position.

The Company limits its exposure to counter-party credit risk with respect to derivative instruments by dealing only with major financial institutions. Management does not expect any counter-parties to fail to meet their obligations.

The Company invests its excess cash in investment grade securities with a maturity date not exceeding 12 months. The Company relies upon the credit rating of the counter-party to limit its credit risk. The Company does not invest in asset-backed commercial paper.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	2009	2008
Cash and cash equivalents	\$32,899	\$22,133
Marketable securities	18,888	36,246
Accounts receivable	10,434	12,304
Other asset (liability)	446	(318)
	<b>\$62,667</b>	<b>\$70,365</b>

The aging of accounts receivable at the reporting date was:

	2009	2008
Current	\$ 2,676	\$12,101
Past due	7,758	203
	<b>\$10,434</b>	<b>\$12,304</b>

As previously noted, the Company believes there are minimal requirements for an allowance for doubtful accounts.

Marketable securities comprise the following:

	2009	2008
Bonds & debentures	\$13,099	\$18,980
Discount notes	5,789	17,266
	<b>\$18,888</b>	<b>\$36,246</b>

The carrying values of bonds and debentures and discount notes include accrued interest and approximate market value. Investments in bonds and debentures and discount notes represent holdings in corporate and government short-term marketable securities as at April 30, 2009 and April 30, 2008 and have a maturity date of one year or less.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

### Foreign Exchange Risk

The Company's revenues are denominated primarily in U.S. dollars, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations on its accounts receivable and future cash flows related to licensing arrangements denominated in U.S. dollars, as well as certain operating expenses and its other long-term liabilities obligations.

The Company's foreign exchange risk management includes the use of foreign exchange forward contracts to fix the exchange rates on certain foreign currency exposures. The Company's objective is to manage and control exposures and secure the Company's profitability on existing contracts and anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes. The Company formally documents all relationships between derivative instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific firm contractually related commitments or anticipated transactions.

The Company also formally assesses, both at the inception and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items. Hedge ineffectiveness is insignificant.

The forward foreign exchange contracts primarily require the Company to sell U.S. dollars for Canadian dollars at contractual rates. The Company had the following forward exchange contracts:

#### FY09

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$ 8,500	USD	< 3 months	\$10,576	\$289
Sell	\$18,600	USD	3-12 months	\$23,099	\$640
Buy	\$ 5,000	USD	< 3 months	(\$ 6,328)	(\$240)
Buy	\$ 5,000	USD	3-12 months	(\$ 6,114)	(\$117)
Buy	\$ 5,000	USD	> 12 months	(\$ 6,093)	(\$126)
					\$446

#### FY08

Type	Notional	Currency	Maturity	Equivalent to CDN dollars	Fair Value
Sell	\$ 6,400	USD	< 3 months	\$ 6,222	(\$141)
Sell	\$18,700	USD	3-12 months	\$18,656	(\$123)
Buy	\$ 4,000	USD	3-12 months	\$ 4,117	(\$ 54)
					(\$318)

A one cent strengthening (weakening) of the U.S. dollar against the Canadian dollar would have decreased (increased) other comprehensive income by approximately \$171,000.

### Interest Rate Risk

The Company is exposed to interest rate risk due to its holdings of interest-bearing marketable securities. It is the Company's policy to invest in securities with a maturity date of 12 months or less and Company practice to hold such securities, when possible, until maturity. A 1% increase (decrease) to the interest rate would result in an approximate \$68,000 decrease (increase) in the fair value of the investments held as at the reporting date.

The Company is also exposed to interest rate risk due to its imputed interest on other long-term liabilities.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At April 30, 2009, the Company had \$51.8 million of cash and marketable securities and has a secured bank credit facility of \$10.0 million, less off balance sheet arrangements as described in Note 17 to meet liabilities when due. The credit facility is collateralized by a general security agreement and contains no covenants.

All of the Company's financial liabilities, except for its "other long-term liabilities" and operating lease for its premise have contractual maturities of less than 30 days.

### Fair Value

The fair values of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity. The recorded amounts of long-term monetary liabilities approximate fair value, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions.

The fair value of the forward exchange contracts reflects the cash flow due to or from the Company if settlement had taken place on the reporting date.

The fair value of employee and director DSUs is determined using the market price of the Company's common stock on the reporting date.

## 16. Business Segment Information

Based upon the Company's internal reporting structure, the following operating segments have been assigned:

**Intellectual Property (IP).** A developer and licensor of semiconductor and communications technologies.

The significant accounting policies of the above segments are the same as those described in Note 1.

Revenues are attributed to countries based upon the location of the customer.

### FY09

	Revenue from Operations	Capital Assets*
Korea	\$29,477	\$ -
U.S.A	8,657	-
Taiwan	3,015	-
Japan	7,572	-
Germany	11,111	-
Netherlands	211	-
Finland	2,495	-
Canada	-	79,965
	<b>\$62,538</b>	<b>\$79,965</b>

FY08

	Revenue from Operations	Capital Assets*
Korea	\$30,997	\$ -
U.S.A	1,948	-
Taiwan	7,160	-
Japan	4,112	-
Germany	10,555	-
Netherlands	300	-
Canada	-	71,087
	\$55,072	\$71,087

\* Capital assets include acquired intangible assets.

In fiscal 2009, four of the Company's customers amounted to more than 10% of consolidated revenue from operations. Revenue from one customer was 24%; revenues from the other three customers were 24%, 18% and 10%.

In fiscal 2008, revenue from three of the Company's customers amounted to more than 10% of consolidated revenue from operations. Revenue from one customer was 31%; revenues from the other two customers were 26% and 19%.

## 17. Contingency and Commitments

As at April 30, 2009, the Company had outstanding letters of guarantee totaling \$7,470,000 (2008 - \$1,900,000).

The Company enters into patent licensing agreements in the ordinary course of business. Although the Company does not provide price protection to most of its customers, there are times when it is a necessary means of doing business. Price protection may be offered to earlier licensees in order to ensure that they enjoy more favoured pricing relative to later licensees for comparable license terms. Such protections are not retroactive. At April 30, 2009, the Company estimates the fair value of this obligation as \$nil (2008 - \$nil) based upon the licenses executed to date.

### Contractual obligations:

#### Operating Leases

During the fourth quarter of fiscal year 2008, the Company entered into a seven year operating lease expiring in March 2015. The future minimum lease payments over the next five years are as follows:

2010	\$890
2011	\$248
2012	\$248
2013	\$248
2014	\$207

As part of the sale and leaseback transaction, the Company assumed responsibility for subletting 50,000 square feet for two years. The Company expects to recover \$650,000 in 2010 from sublet payments.

## 18. Capital Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's shareholder's equity excluding accumulated other comprehensive income.

The Company has certain credit facilities with a Canadian chartered bank, which consist of an operating line, a foreign exchange forward contract facility and standby letters of credit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders and monitors the share repurchase program activities. There were no changes in the Company's approach to capital management during the period. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

## 19. Future Changes to Accounting Pronouncements

### Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning May 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

### International Financial Reporting Standards

The Accounting Standards Board of Canada (AcSB) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (IFRS) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Starting with the first quarter of fiscal 2012, the Company will provide unaudited consolidated financial information in accordance with IFRS, including comparative figures for fiscal 2011.

The Company has completed a preliminary assessment of the accounting and reporting differences under IFRS as compared to Canadian GAAP. However, management has not yet finalized its determination of the impact of these differences on the consolidated financial statements. As this assessment is finalized, the Company intends to disclose such impacts in its future consolidated financial statements.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

### Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted. The Section establishes standards for the accounting for a business combination. The Company is currently assessing the future impact of this new standard on its financial statements.

### Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. These new Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

## 20. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

# Share Information

## Market Listing

Toronto Stock Exchange Symbol: MSD

Weighted average number of shares for the year ended April 30, 2009 (audited)

Basic: 10,324,043

Diluted: 10,337,827

### Fiscal Year 2009

TSX (Cdn \$)	High	Low	Closing	Volume
First quarter ended July 31, 2008	\$16.74	\$13.37	\$14.46	1,323,917
Second quarter ended October 31, 2008	\$16.24	\$ 7.60	\$ 8.38	1,416,742
Third quarter ended January 31, 2009	\$10.19	\$ 6.90	\$ 8.39	1,856,423
Fourth quarter ended April 30, 2009	\$12.70	\$ 9.00	\$12.25	1,248,255
<b>Total</b>				<b>5,845,337</b>

### Fiscal Year 2008

TSX (Cdn \$)	High	Low	Closing	Volume
First quarter ended July 31, 2007	\$27.49	\$23.88	\$24.33	2,539,002
Second quarter ended October 31, 2007	\$24.26	\$18.01	\$18.92	2,939,184
Third quarter ended January 31, 2008	\$19.11	\$15.26	\$16.99	1,970,829
Fourth quarter ended April 30, 2008	\$18.48	\$15.40	\$16.01	673,622
<b>Total</b>				<b>8,122,637</b>

## Board of Directors

**Eugene I. Davis**<sup>(1) (2) (4)</sup>  
Director

(1) Member of Audit Committee

**Gideon J. King**<sup>(4)</sup>  
Director

(2) Member of the Corporate Governance and Nominating Committee

**John C. Lindgren**  
President, CEO and Director

(3) Member of the Human Resources Committee

**Robert M. Kramer**<sup>(3)</sup>  
Director

(4) Member of the Special Committee

**Dr. John B. Millard**<sup>(2) (3) (4)</sup>  
Director

**Normand Y. Paquette**<sup>(1)</sup>  
Director

**Barry J. Reiter**<sup>(2) (3)</sup>  
Director

**Carl P. Schlachte, Sr.**<sup>(1) (4)</sup>  
Chairman of the Board and Director

## Officers

**John C. Lindgren**  
President, Chief Executive Officer and Director

**Jin-Ki Kim**  
Vice President, Research and Development

**Nima Ahmadvand**  
Vice President, Telecommunications  
Technologies

**Phillip S. Shaer**  
Vice President, General Counsel and  
Corporate Secretary

**Joseph R. Brown**  
Vice President, Chief Financial Officer

**Michael B. Vladescu**  
Vice President, Licensing and Intellectual  
Property

**Peter B. Gillingham**  
Vice President and Chief Technology Officer

## Offices

**MOSAID Technologies Incorporated**  
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Tel: 613-599-9539 Fax: 613-591-8148

## Shareholder Information

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Deloitte & Touche LLP  
100 Queen Street, Suite 800  
Ottawa, Ontario K1P 5T8

**Legal Counsel**  
LaBarge Weinstein LLP  
515 Legget Drive, Suite 800  
Ottawa, Ontario K2K 3G4

**Transfer Agent and Registrar**  
CIBC Mellon Trust Company  
320 Bay Street, Banking Level  
Toronto, Ontario M5H 4A6

**Bankers**  
Royal Bank of Canada  
90 Sparks Street  
Ottawa, Ontario K1P 5T6

**Investor Relations**  
Persons interested in receiving financial information on the company should direct inquiries to:  
MOSAID Investor Relations  
11 Hines Road, Suite 203  
Ottawa, Ontario K2K 2X1  
Email: ir@mosaid.com

**Annual and Special Meeting of Shareholders**  
The Annual and Special Meeting of Shareholders will be held on Thursday, October 8, 2009 at 10:30 a.m. at the Brookstreet Hotel, Signed Room, 2<sup>nd</sup> Floor, located at 525 Legget Drive, Ottawa, Ontario K2K 2W2, Canada. Shareholders and others interested in the Company are invited to attend.

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