

Loeb Partners Corporation
61 Broadway

New York, N. Y. 10006

August 15, 2006

Mosaid Technologies Incorporated
11 Hines Road
Kanata, Ontario
Canada K2K 2X1

Attn: Board of Directors

Loeb Partners Corporation and affiliates ("Loeb") have written the following letter in order to cause the Board of Directors of Mosaid Technologies Incorporated ("MOSAID") to act in the best interests of the owners of the company. Loeb owns 6.06% of the outstanding shares of MOSAID. MOSAID is at an important strategic inflection point in light of the fact that the company has licensed the better part of the commodity DRAM industry. The board and management must with dispatch hire an investment banking firm, the mandate of which is to maximize value for shareholders by addressing the structural impediments to MOSAID's garnering multiples in line with peers. More specifically, the board must clear the way for a prompt sale of the company to the highest bidder. Let us now outline our view of MOSAID's undervaluation, the abovementioned "structural impediments," and a path to value creation.

It is clear that MOSAID is undervalued by the capital markets, particularly considering the approximately 48% EBITDA margins of the Intellectual Property business (the "IP Division"). Consider a peer group for the IP Division that consists of ARM Holdings plc, Rambus Inc., Saifun Semiconductors Ltd., and Virage Logic Corporation. If one applies a one-year-forward average peer group multiple of 25 and 6 respectively to the cash flow (EBITDA) and sales generated by the IP Division (not including the one-time approximate C\$9 million PortalPlayer license fee), one derives respective enterprise values per share of C\$61 and C\$30.50. Further, the application of a one-year-forward average peer group earnings multiple of 40 results in a C\$62 per share value. These per share values are impressive in light of the fact that your ill-advised acquisition of Virtual Silicon is appreciably cutting against the cash flow production of the IP Division. While management has not chosen to disclose the extent to which Virtual Silicon hurts the margins of the IP Division, we fear the worst, for Richard Boadway stated in your June 22, 2006, conference call, "It did disappoint us with respect to our initial guidance.... The revenues we recorded this year were shy and the operating loss higher than we'd anticipated." Comparative company analysis can often be somewhat misleading if one is

making fine value differentiations. MOSAID's IP Division may not be worth any of the abovementioned values, yet we think these comparisons make it patently obvious that there is an unacceptably wide gap between the implied stock market value for the IP Division and the private market value for this attractive asset. Your stock currently trades for C\$22.35, or 26% below the lowest value that a peer group comparative analysis suggests for the IP Division alone.

Unfortunately, the entire corpus of MOSAID does not produce margins equivalent to that of the IP Division. In totality, MOSAID's EBITDA margins are approximately 40% because the Systems Division continues to suffer declining sales and margins. According to Loeb's internal projections, this business will generate negative free cash flow for shareholders in the coming year! In your conversations with Loeb, you have correctly pointed out that Automatic Test Equipment is a cyclical business that might return to profitability at some point, which is precisely why we think MOSAID can and should sell this non-core asset at the best possible price. Consider a peer group to the Systems Division that consists of LTX Corporation, Credence Systems Corporation, Nextest Systems Corp., and Eagle Test Systems, Inc. This peer group trades at an average multiple of estimated sales of 1.0. By applying a 1.0 multiple to the estimated sales of the Systems Division, one derives a per share value to MOSAID shareholders of C\$1.25. Normalizing the Systems Division's EBITDA and earnings and applying peer group multiples to the same provide values in excess of C\$1.25.

Our sum of the parts analysis ("SOTPA") of MOSAID suggests that management is not creating value for owners. The SOTPA generates a value of approximately C\$37.50 per share. The SOTPA is derived by adding C\$30.50 (the lower value of the IP Division based on EV/Sales), C\$1.25 (the value of the Systems Division based on EV/Sales), and C\$5.75 of cash on the balance sheet. Once again, our analysis may not be perfectly precise, tidy, and accurate, and there may be tax or other expensive consequences to an orderly liquidation of MOSAID, yet the seismic difference between where your stock trades and our estimate of value begs immediate action. Perhaps we should dispense with "comp" analysis and technical terms of art such as "SOTPA," and simply point out that a company, such as MOSAID, with an extremely predictable stream of future cash flows, should not be trading at a free cash flow yield per share of 7.5%!

If it is an errant assumption that the Systems Division can be sold at or near the above values, then we should accept this failure; if the business produces losses, then it is better for shareholders if it is shuttered with no remuneration. Why lose money and be left to speculate about the vicissitudes of a cyclical business? Why suffer at the hands of negative free cash flow and conjecture as to when the "comeback" takes place? Why have our stock trade lower than it can and should? More to the point, why put up with a business that industry players have deemed an impediment to acquiring all of MOSAID? We have spoken with senior members of management teams of some of your peers, and while they certainly have not indicated anything in any way definitive, it is Loeb's view that MOSAID's IP Division would elicit interest. None of them indicated that they have been approached by MOSAID.

While we well understand both that MOSAID has captured a substantial part of the DRAM market at attractive margins with more possible settlements and licensing agreements to come, and that the company's 585 patents may yield further streams of revenue and cash flow, there is no indication that meaningful growth is at hand. This brings MOSAID to an inflection point, an inflection point which might pressure a management team with a spotty record of creating value through acquisitions and other ventures to make an imprudent deal with our cash. Shareholders cannot bear more costly acquisitions such as Virtual Silicon, nor should owners be subjected to another expensive venture such as MOSAID's ephemeral foray into the fabless semiconductor supplier business. Rather, we think this inflection point would lead prudent operators to sell MOSAID off in totality, if possible, or in stages, but in any scenario as quickly as possible. MOSAID has largely exploited its most coveted assets and produced a free cash flow stream that by one sell-side analyst's published work suggests a net asset value ("NAV"), or discounted present value, of C\$29 per share, or 30% above current trading values. It would be far better to sell at a premium to an industry player who recognizes this NAV and the "call option" on the patent portfolio than to have this management team venture out with our cash and cash flow to buy new or exploit existing assets.

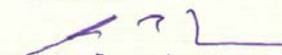
On July 27, 2006, Loeb demanded in a conference call with George Cwynar and Richard Boadway that MOSAID commence a formal value maximization process. Loeb is in receipt of George Cwynar's terse written response to this demand (see following attachment) and finds such response in keeping with a complacent management and board. Loeb is concerned that management may be somewhat confused and directionless. The abovementioned response letter references the price history of MOSAID's stock in the context of placing credit for an upward stock price with current management. Such prosaic comments about the price movement of MOSAID'S stock serve to insult the intelligence of any sophisticated shareholder. Shall we begin an analysis of the market's faith in this management and board? Shall we analyze the price action of your stock since the departure of your general counsel? What conclusion should owners draw when they note that the company now headed by your former general counsel is enjoying appreciation in its market value? It is Loeb's opinion that the market has little faith in your management and board.

Revisionist history is not appropriate when it comes to evaluating the past and future of a public company. MOSAID's success derives nearly completely from the cash flow generation of the patent licensing group. This unit was run by Jim Skippen, who has unfortunately left MOSAID to run another public company. MOSAID currently searches for his replacement, and shareholders are left to wonder about a ship being captained by individuals that have as of yet not been able to recognize failure on the product development side. MOSAID is not a successful product company, and so it should sell or shutter its product businesses to clear the path for a sale of the IP Division. Perhaps there is no place for "product people" in a patent licensing business. George Cwynar and Richard Boadway must come to grips with their failure in Virtual Silicon and the Systems business. George Cwynar, Richard Boadway, and, most important, the Board must dispense with hopes and dreams and focus their attention on creating value for owners.

Loeb has spoken with industry participants that understand MOSAID well, leading us to fret that the management of MOSAID is too comfortable on many levels. Loeb finds your use of the word "maximize" in the abovementioned letter all too liberal or all too cute. We will not be placated by letters that suggest either that you are not aware of the meaning of the word "maximize" in the context of corporate finance and restructurings (which would be shocking in light of the fact that you run a public company), or that MOSAID's management and board are engaged in palliating shareholders with words that would give hope to people who have not met and talked with management many times. No double-talk, please. Remember, we are well familiar with your method of putting your owners off, and we have grown indignant.

MOSAID has a formidable presence in the IP universe, and it seems only logical that this terribly illiquid stock trading on the Toronto Stock Exchange, idling at one speed, facing an inflection point in terms of strategic direction, and laden with a business that will soon suck away free cash flow, should be guided by a banker leading a process to maximize, not enhance, shareholder value through the sale of the company. We therefore demand that MOSAID immediately commence this maximization process, whatever the outcome may hold. We also will want to verify that this process is "real," and not just another method of placating your owners. If MOSAID has already formally engaged a banker expressly for the purpose of effecting the above plan, then we demand that you make this process public so that shareholders are aware of material developments at the company. Be advised that if management continues to nurse the status quo and fails to adopt our plan, we will have no choice but to conclude that the lack of stock ownership of senior management and the board has caused a chasm between owners and operators that cannot be closed with mere suasion. Loeb first purchased MOSAID stock on November 4, 2004. Our actions have been thoughtfully considered, and so our resolve is rock solid. Your letter to Loeb indicated that an uncoordinated effort to maximize value for owners might be deleterious to MOSAID. We do not envision an uncoordinated effort. Rather, if this existing board will not act as we have suggested, we will seriously consider initiating a proxy process to replace some or all of your 'status quo' directors with shareholder representatives who will take to heart the need to maximize shareholder value. We believe that MOSAID's shareholders will support this initiative by placing responsible representatives focused on value maximization on the board. We reserve our rights, and we thank you in advance for a response to our demands by Thursday, August 24, 2006.

Sincerely,



Loeb Partners Corporation
Gideon J. King



MOSAID Technologies Incorporated

9:55AM ET
FAXED
(04/27/06) J.T.

August 10th, 2006

Via: Facsimile #212-574-2001
(Original to follow by mail)

Mr. Gideon King
Loeb Partners Corporation
61 Broadway
New York, New York
USA 10006

Dear Gideon:

This letter is to follow up on our meeting in June and, more specifically, our telephone call of July 27, 2006.

First, let me say that we appreciate frank discussion with our shareholders about MOSAID at all times. Shareholder input is important to management, as is the input of investment bankers and other advisors. Both have been solicited and considered in the past year, in connection with establishing our dividend and normal course issuer bid strategies. Nevertheless, it is up to the Company's management and Board to set the Company's strategic direction. We do so with a view to maximizing shareholder value.

We believe it is in the best interest of all shareholders to rely on management to sift through the various inputs, and, together with our knowledge of the Company's business and potential, to take the appropriate actions to maximize shareholder value on a coordinated basis. We would encourage you to continue to put your trust in the management team that has led to the Company being currently in its highest revenue, most profitable year ever, having tripled its stock price over the past three years. We believe that any independent and uncoordinated efforts regarding the Company's strategic direction may indeed prove harmful to the Company's capacity to maximize shareholder value.

We look forward to a continued and useful dialogue with you.

Yours very truly,

George Cwynar
President and Chief Executive Officer

cc: Mr. Brian Anderson, Loeb Partners Corporation