

VIA UPS Overnight delivery, FAX and E-mail

SanDisk IL Ltd.

7 Atir Yeda St.

Kfar Saba 44425

Israel

Phone: +972-9-764-5000

Fax: +972-3-548-8666

August 27, 2007

Mr. Martin Furuhjelm, Chairman MSC-LOCK Specification Subgroup
USB-IF Administrations
3855 SW 153rd Drive
Beaverton, OR 97006
Phone: (503) 619-0426
Fax: (503) 644-6708
admin@usb.org

RE: MSC-LOCK Specification Subgroup - Termination Notice

Dear Mr. Furuhjelm:

I am sending this letter to you on behalf of M-Systems Flash Disk Pioneers Ltd. ("**M-Systems**") which was acquired by SanDisk Corporation ("**SanDisk**") and is now a wholly owned subsidiary of SanDisk Corporation operating as SanDisk IL Ltd ("**SanDisk IL Ltd.**").

M-Systems is a signatory to the USB Implementers Forum, Inc., Intellectual Property Agreement for the MSC-LOCK Specification under the Mass Storage Working Group ("**MSB-LOCK IP Agreement**"), a copy of which is attached hereto as Exhibit A.

Pursuant to Section 4(a) of the MSB-LOCK IP Agreement, SanDisk IL Ltd. hereby provides notice of immediate termination, effective as of August 27, 2007, of the MSB-LOCK IP Agreement. Consequently, SanDisk IL Ltd will no longer participate in the MSC-LOCK Specification subgroup under the Mass Storage Working Group at USB Implementers Forum, Inc., ("**USB-IF**").

Further, pursuant to Section 4(b) of the MSB-LOCK IP Agreement, SanDisk IL Ltd. does not have any obligations under Section 3(a) and 3(a)(i). SanDisk IL Ltd. has met the requirements of Section 4(b) as set forth below.

Section 4(b)(i) requires a Member to timely disclose the information regarding its Necessary Claims as contemplated by Section 2 of the MSB-LOCK IP Agreement. M-Systems has met this requirement in its letter to the Chairman of the MSC-Lock Subgroup ("**Chairman Letter**"), a copy of which is attached hereto as Exhibit B. In addition to this letter to the Chairman, M-Systems also submitted a letter to the USB-IF Board of Directors ("**Board Letter**") requesting an exemption from the default RAND-Z licensing obligation, a copy of which is attached hereto as Exhibit C. This request was denied by the USB-IF Board of

Directors as set forth in a letter to M-Systems dated February 17, 2006 from Mr. Jeffrey Ravencraft, President of the USB-IF, a copy of which is attached hereto as Exhibit D.

Section 4(b)(ii) requires a Member to give written notice of its intent to withdraw prior to an Approval Meeting. M-Systems provided such written notice of its intent to withdraw in both the Chairman Letter and in the Board Letter.

Section 4(b)(iii) requires a Member to vote against approval of the Specification and terminate the Agreement no later than three (3) weeks following its receipt of notice of the approval of the Specification by the Working Group. SanDisk IL Ltd. participated in the MSC-LOCK meeting where the approval of this Specification was discussed on August 1, 2007 and voted against the approval of the Specification. Please see the minutes of the meeting which were distributed on August 7, 2007, a copy of which is attached hereto as Exhibit E.

Finally, SanDisk IL Ltd. is hereby terminating the MSB-LOCK IP Agreement by this letter within the aforementioned three (3) week period from August 7, 2007.

Please do not hesitate to call me if you have any questions or concerns.

Sincerely,



Megan Comport
Secretary
SanDisk IL Ltd.

cc: Jeff Ravencraft – Chairman/President USB-IF
Paul Berg – Chairman Device Working Group (DWG) USB-IF



7 Atir Yeda St.
Kfar Saba 44425, Israel
TEL: +972-9-764-5000
FAX: +972-3-548-8666

January 30, 2006

To: **Chairman, MSC-LOCK Specification Subgroup, Mr. Martin Furuhjelm**
USB-IF Administration Headquarters
5440 SW Westgate Dr.
Suite 217
Portland, OR 97221
Phone 503-296-9892
Fax 503-297-1090

Re: **Disclosure of potential Necessary Claims by M-Systems Flash Disk Pioneers Ltd.**

1. In accordance with the provisions of Section 2 of the USB Implementers Forum Inc. Intellectual Property Agreement (the "IP Agreement"), M-Systems Flash Disk Pioneers Ltd. ("M-Systems") hereby discloses and states as follows:
M-Systems is the holder and owner of the patents and patent application listed below, which potentially contain Necessary Claims in the eventual MSC-LOCK Specifications:
 - a. US patent 6,324,537 – DEVICE, SYSTEM AND METHOD FOR DATA ACCESS CONTROL
 - b. US patent 6,539,380– DEVICE, SYSTEM AND METHOD FOR DATA ACCESS CONTROL
 - c. US patent application 10/304,772 (Publication Number 2004/0103288 A1) - APPARATUS AND METHOD FOR SECURING DATA ON A PORTABLE STORAGE DEVICE.
2. M-Systems is prepared to license to other parties its rights pertaining to the above Necessary Claims under reasonable and non-discriminatory terms, but only to the extent such terms include payment to M-Systems of a reasonable fee or royalties. Therefore, in parallel to this disclosure, and in accordance with the provisions of Section 3(b) of the IP Agreement, M-Systems intends to submit a request to the USB-IF Board of Directors (the "BoD") for an exemption from the default RAND-Z licensing obligations.
3. As the IP Agreement contains no provisions clearly defining the process, procedure or the conditions for approval of the aforementioned request to the BoD, and in order to preserve and secure M-Systems' right to license to other parties the above Necessary Claims under reasonable and non-discriminatory terms that include payment to M-Systems of a reasonable fee or royalties, M-Systems hereby advises you that should the BoD fail to grant this request within a

reasonable time, M-Systems will terminate the IP Agreement in accordance with the provisions of Section 4(b) thereto.

Sincerely,

Avraham Meir, CTO

Jan 30, 2006



אמ-סיסטמס
פלאש דיסק פיונירס בע"מ
M-Systems Flash Disk Pioneers Ltd.
עתיר ידע 7 כפר-סבא סל. 09-7645000