
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
(Rule 13e-4)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

PDF SOLUTIONS, INC.

(Name Of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Common Stock, Par Value \$0.00015 Per Share
(Title of Class of Securities)

69328210
(CUSIP Number of Class of Securities (Underlying Common Stock))

JOHN K. KIBARIAN
President and Chief Executive Officer
PDF Solutions, Inc.
333 West San Carlos Street, Suite 700
San Jose, California 95110
(408) 280-7900
(Name, Address, and Telephone Number of Person Authorized to Receive Notices
and Communications on Behalf of Filing Persons)

With copies to:

Peter Cohn, Esq.
Christine A. McCarthy, Esq.
Orrick, Herrington & Sutcliffe LLP
1020 Marsh Road
Menlo Park, California 94025
(650) 614-7400

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing fee**
\$34,451,677	\$1,354

* Calculated solely for purposes of determining the filing fee. This amount assumes that options to purchase 4,551,771 shares of common stock of PDF Solutions, Inc. that have an aggregate value of \$34,451,677 as of June 5, 2008 will be exchanged pursuant to this offer. The aggregate value of such options was calculated based on the Black-Scholes option pricing model.

** The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended by Fee Rate Advisory No. 5 equals \$39.30 per million dollars of the value of the transaction.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable.
Form or Registration No.: Not applicable.

Filing Party: Not applicable.
Date Filed: Not applicable.

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
 issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

TABLE OF CONTENTS

[ITEM 1. SUMMARY TERM SHEET](#)

[ITEM 2. SUBJECT COMPANY INFORMATION](#)

[ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON](#)

[ITEM 4. TERMS OF THE TRANSACTION](#)

[ITEM 5. PAST CONTRACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS](#)

[ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS](#)

[ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION](#)

[ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY](#)

[ITEM 9. PERSONS/ASSETS, RETAINED, EMPLOYED, COMPENSATED OR USED](#)

[ITEM 10. FINANCIAL STATEMENTS](#)

[ITEM 11. ADDITIONAL INFORMATION](#)

[ITEM 12. EXHIBITS](#)

[ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3](#)

[SIGNATURE](#)

[EXHIBIT INDEX](#)

[EXHIBIT 99.\(A\)\(1\)\(A\)](#)

[EXHIBIT 99.\(A\)\(1\)\(B\)](#)

[EXHIBIT 99.\(A\)\(1\)\(C\)](#)

[EXHIBIT 99.\(A\)\(1\)\(D\)](#)

[EXHIBIT 99.\(A\)\(1\)\(E\)](#)

[EXHIBIT 99.\(A\)\(1\)\(F\)](#)

[EXHIBIT 99.\(A\)\(1\)\(G\)](#)

[EXHIBIT 99.\(A\)\(1\)\(H\)](#)

[EXHIBIT 99.\(A\)\(1\)\(I\)](#)

[EXHIBIT 99.\(A\)\(1\)\(J\)](#)

[EXHIBIT 99.\(A\)\(1\)\(K\)](#)

[EXHIBIT 99.\(A\)\(1\)\(L\)](#)

[EXHIBIT 99.\(D\)\(4\)](#)

[EXHIBIT 99.\(D\)\(5\)](#)

ITEM 1. SUMMARY TERM SHEET.

The information set forth under “Summary Term Sheet” in the Offer to Exchange, dated June 10, 2008 (the “Offer to Exchange”), attached hereto as Exhibit (a)(1)(A), is incorporated herein by reference.

ITEM 2. SUBJECT COMPANY INFORMATION.

(a) *Name and Address.* The name of the issuer is PDF Solutions, Inc., a Delaware corporation (“PDF” or the “Company”). PDF’s principal executive office is located at 333 West San Carlos Street, Suite 700, San Jose, CA 95110 and its telephone number is (408) 280-7900. The information in the Offer to Exchange in Part III, Section 10 (“Information Concerning PDF Solutions, Inc.”) is incorporated herein by reference.

(b) *Securities.* This Tender Offer Statement on Schedule TO relates to an offer (the “Offer”) by PDF to eligible option holders to exchange certain outstanding eligible options to purchase shares of PDF common stock, par value \$0.00015 per share (“Common Stock”), for restricted stock rights that will be granted under the PDF Solutions, Inc. 2001 Stock Plan (the “2001 Plan”) upon the terms and subject to the conditions set forth in the Offer to Exchange. As of June 5, 2008, options to purchase approximately 4,551,711 shares of PDF common stock were eligible for exchange in the Offer. The information set forth in the Offer to Exchange in Part I (“Summary Term Sheet”) and in Part III, Section 1 (“Eligibility”), Section 2 (“Number of Restricted Stock Rights; Expiration Date”), Section 6 (“Acceptance of Options for Exchange and Issuance of Restricted Stock Rights”) and Section 9 (“Source and Amount of Consideration; Terms of Restricted Stock Rights”) is incorporated herein by reference.

(c) *Trading Market and Price.* The information set forth in the Offer to Exchange under Part III, Section 8 (“Price Range of Our Common Stock”) is incorporated herein by reference.

ITEM 3. IDENTITY AND BACKGROUND OF FILING PERSON.

(a) *Name and Address.* The filing person is the subject company, PDF Solutions, Inc. The information set forth under Item 2(a) above is incorporated herein by reference. The information set forth in Appendix A to the Offer to Exchange (“Information About the Directors and Executive Officers of PDF Solutions, Inc.”) is incorporated herein by reference.

ITEM 4. TERMS OF THE TRANSACTION.

(a) *Material Terms.* The information set forth in the Offer to Exchange in Part I (“Summary Term Sheet”) and in Part III, Section 1 (“Eligibility”), Section 2 (“Number of Restricted Stock Rights; Expiration Date”), Section 4 (“Procedures for Tendering Options”), Section 5 (“Withdrawal Rights and Change of Election”), Section 6 (“Acceptance of Options for Exchange and Issuance of Restricted Stock Rights”), Section 7 (“Conditions of the Offer”), Section 9 (“Source and Amount of Consideration; Terms of Restricted Stock Rights”), Section 12 (“Status of Options Accepted by Us in the Offer; Accounting Consequences of the Offer”), Section 13 (“Legal Matters; Regulatory Approvals”), Section 14 (“Material U.S. Federal Income Tax Consequences”), Section 15 (“Considerations Specific to Eligible Individuals Outside the United States”) and Section 16 (“Extension of Offer; Termination; Amendment”), is incorporated herein by reference.

(b) *Purchases.* The information in the Offer to Exchange under Part III, Section 11 (“Interests of Directors and Officers; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

ITEM 5. PAST CONTRACTS, TRANSACTIONS, NEGOTIATIONS AND AGREEMENTS.

(c) *Agreements Involving the Subject Company’s Securities.* The information set forth in the Offer to Exchange under Part III, Section 11 (“Interests of Directors and Officers; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference. The eligible stock plans and related agreements are incorporated herein by reference hereto as Exhibits (d)(1) through (d)(8) and contain information regarding the subject securities.

ITEM 6. PURPOSES OF THE TRANSACTION AND PLANS OR PROPOSALS.

(a) *Purposes.* The Offer is being conducted to reduce the “overhang” as described in the Offer to Exchange and to incentivize and retain employees, consultants and directors providing services to the Company and its subsidiaries. The information set forth in the Offer to Exchange under Part III, Section 3 (“Purpose of the Offer”) is incorporated herein by reference.

(b) *Use of Securities Acquired.* The information set forth in the Offer to Exchange under Part III, Section 6 (“Acceptance of Options for Exchange and Issuance of Restricted Stock Rights”) and Section 12 (“Status of Options Accepted By Us in the Offer; Accounting Consequences of the Offer”) is incorporated herein by reference.

(c) *Plans.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Information Concerning PDF Solutions, Inc.”) is incorporated herein by reference.

ITEM 7. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) *Source of Funds.* The information set forth in the Offer to Exchange under Part III, Section 9 (“Source and Amount of Consideration; Terms of Restricted Stock Rights”) and Section 17 (“Fees and Expenses”) is incorporated herein by reference.

(b) *Conditions.* The information set forth in the Offer to Exchange under Part III, Section 7 (“Conditions of the Offer”) is incorporated herein by reference.

(d) *Borrowed Funds.* Not applicable.

ITEM 8. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) *Securities Ownership.* The information set forth in the Offer to Exchange under Part III, Section 11 (“Interests of Directors and Officers; Transactions and Arrangements Concerning the Options”) and Appendix A (“Information About the Directors and Executive Officers of PDF Solutions, Inc.”) is incorporated herein by reference.

(b) *Securities Transactions.* The information set forth in the Offer to Exchange under Part III, Section 11 (“Interests of Directors and Officers; Transactions and Arrangements Concerning the Options”) is incorporated herein by reference.

ITEM 9. PERSONS/ASSETS, RETAINED, EMPLOYED, COMPENSATED OR USED.

(a) *Solicitations or Recommendations.* Not applicable.

ITEM 10. FINANCIAL STATEMENTS.

(a) *Financial Information.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Information Concerning PDF Solutions, Inc.”) and Section 18 (“Additional Information”), in Item 8 of PDF’s Annual Report on Form 10-K for its fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission on March 17, 2008, and in Item 1 of the Company’s Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, filed with the Securities and Exchange Commission on May 12, 2008, is incorporated herein by reference. A copy of the Annual Report on Form 10-K and Quarterly Report on Form 10-Q can be accessed electronically on the Securities and Exchange Commission’s website at www.sec.gov.

(b) *Pro Forma Information.* Not applicable.

(c) *Summary Information.* The information set forth in the Offer to Exchange under Part III, Section 10 (“Information Concerning PDF Solutions, Inc.”) is incorporated herein by reference.

[Table of Contents](#)

ITEM 11. ADDITIONAL INFORMATION.

(a) *Agreements, Regulatory Requirements and Legal Proceedings.* The information set forth in the Offer to Exchange under Part III, Section 11 (“Interests of Directors and Officers; Transactions and Arrangements Concerning the Options”) and Section 13 (“Legal Matters; Regulatory Approvals”) is incorporated herein by reference.

(b) *Other Material Information.* Not applicable.

ITEM 12. EXHIBITS.

EXHIBIT	DESCRIPTION OF EXHIBIT
(a)(1)(A)	Offer to Exchange, dated June 10, 2008.
(a)(1)(B)	Form of Election Form
(a)(1)(C)	Form of Notice of Withdrawal
(a)(1)(D)	Form of Restricted Stock Agreement under PDF Solutions, Inc. 2001 Stock Plan
(a)(1)(E)	Form of Communication from P. Steven Melman to All Eligible Option Holders
(a)(1)(F)	Email Communication to Certain Officers of PDF Solutions, Inc. dated June 10, 2008
(a)(1)(G)	Form of “Question and Answer” Meeting Announcement
(a)(1)(H)	Copy of PowerPoint Presentation for Eligible Option Holder “Question and Answer” Meeting
(a)(1)(I)	Form of Confirmation of Receipt of Election Form
(a)(1)(J)	Form of Confirmation of Receipt of Notice of Withdrawal
(a)(1)(K)	Form of Reminder of Expiration of Option Exchange Offer
(a)(1)(L)	Form of Confirmation of Participation in the Option Exchange Offer
(a)(1)(M)	PDF Solutions, Inc. Annual Report on Form 10-K for its fiscal year ended December 31, 2007, SEC File No. 000-31311, filed with the Securities and Exchange Commission on March 17, 2008 and incorporated herein by reference
(a)(1)(N)	PDF Solutions, Inc. Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, SEC File No. 000-31311, filed with the Securities and Exchange Commission on May 12, 2008 and incorporated herein by reference
(b)	Not applicable
(d)(1)	1996 Stock Option Plan and related agreements (incorporated by reference to Exhibit 10.8 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(d)(2)	1997 Stock Plan and related agreements (incorporated by reference to Exhibit 10.9 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(d)(3)	2001 Stock Plan (incorporated by reference to Exhibit 10.1 to PDF’s Form 10-Q, SEC File No. 000-31311, filed with the Securities and Exchange Commission on May 10, 2007)
(d)(4)	Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan (France)
(d)(5)	Form of Stock Option Agreement under the Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan (France)
(d)(6)	2001 Stock Option/Stock Issuance Plan (incorporated by reference to Exhibit 4.1 to PDF’s Registration Statement on Form S-8, SEC File No. 333-109809, filed with the Securities and Exchange Commission on October 17, 2003)
(d)(7)	Form of Stock Option Agreement, including Addendum to Stock Option Agreement, under the 2001 Stock Option/Stock Issuance Plan (incorporated by reference to Exhibit 4.2 to PDF’s Registration Statement on Form S-8, SEC File No. 333-109809, filed with the Securities and Exchange Commission on October 17, 2003)
(d)(8)	2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.11 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(h)	Not applicable

ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.

(a) Not applicable.



SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

PDF SOLUTIONS, INC.

By: /s/ John K. Kibarian
John K. Kibarian
President and Chief Executive Officer

Dated: June 10, 2008

EXHIBIT INDEX

EXHIBIT	DESCRIPTION OF EXHIBIT
(a)(1)(A)	Offer to Exchange, dated June 10, 2008.
(a)(1)(B)	Form of Election Form
(a)(1)(C)	Form of Notice of Withdrawal
(a)(1)(D)	Form of Restricted Stock Agreement under PDF Solutions, Inc. 2001 Stock Plan
(a)(1)(E)	Form of Communication from P. Steven Melman to All Eligible Option Holders
(a)(1)(F)	Email Communication to Certain Officers of PDF Solutions, Inc. dated June 10, 2008
(a)(1)(G)	Form of “Question and Answer” Meeting Announcement
(a)(1)(H)	Copy of PowerPoint Presentation for Eligible Option Holder “Question and Answer” Meeting
(a)(1)(I)	Form of Confirmation of Receipt of Election Form
(a)(1)(J)	Form of Confirmation of Receipt of Notice of Withdrawal
(a)(1)(K)	Form of Reminder of Expiration of Option Exchange Offer
(a)(1)(L)	Form of Confirmation of Participation in the Option Exchange Offer
(a)(1)(M)	PDF Solutions, Inc. Annual Report on Form 10-K for its fiscal year ended December 31, 2007, SEC File No. 000-31311, filed with the Securities and Exchange Commission on March 17, 2008 and incorporated herein by reference
(a)(1)(N)	PDF Solutions, Inc. Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, SEC File No. 000-31311, filed with the Securities and Exchange Commission on May 12, 2008 and incorporated herein by reference
(b)	Not applicable
(d)(1)	1996 Stock Option Plan and related agreements (incorporated by reference to Exhibit 10.8 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(d)(2)	1997 Stock Plan and related agreements (incorporated by reference to Exhibit 10.9 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(d)(3)	2001 Stock Plan (incorporated by reference to Exhibit 10.1 to PDF’s Form 10-Q, SEC File No. 000-31311, filed with the Securities and Exchange Commission on May 10, 2007)
(d)(4)	Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan (France)
(d)(5)	Form of Stock Option Agreement under the Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan (France)
(d)(6)	2001 Stock Option/Stock Issuance Plan (incorporated by reference to Exhibit 4.1 to PDF’s Registration Statement on Form S-8, SEC File No. 333-109809, filed with the Securities and Exchange Commission on October 17, 2003)
(d)(7)	Form of Stock Option Agreement, including Addendum to Stock Option Agreement, under the 2001 Stock Option/Stock Issuance Plan (incorporated by reference to Exhibit 4.2 to PDF’s Registration Statement on Form S-8, SEC File No. 333-109809, filed with the Securities and Exchange Commission on October 17, 2003)
(d)(8)	2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.11 to PDF’s Registration Statement on Form S-1, as amended, SEC File No. 333-43192, filed with the Securities and Exchange Commission on August 7, 2000)
(h)	Not applicable

**PDF SOLUTIONS, INC.
OFFER TO EXCHANGE
RESTRICTED STOCK RIGHTS
FOR
CERTAIN OUTSTANDING STOCK OPTIONS**

**THIS OFFER AND YOUR WITHDRAWAL RIGHTS EXPIRE
AT 9 P.M., U.S. PACIFIC TIME, ON JULY 9, 2008, UNLESS WE EXTEND THE OFFER.**

**This document constitutes part of the Section 10(a) Prospectus
Relating to the PDF Solutions, Inc. 2001 Stock Plan**

The Date of this Offer is June 10, 2008

PDF Solutions, Inc. ("PDF," the "Company," "we," "us" or "our") is offering eligible individuals the opportunity to exchange their outstanding eligible options for restricted stock rights that we will grant under our PDF Solutions, Inc. 2001 Stock Plan, including any sub-plan applicable to participants in a particular country (the "2001 Plan").

You are eligible to participate in the offer if you provide services to PDF or one of our subsidiaries as an employee, consultant or Member of our Board of Directors on the date of this offer and have neither ceased to be an eligible employee, consultant or director, nor have submitted or received a notice of termination of service, prior to the cancellation of option grants tendered pursuant to this offer. Unless extended, this offer will expire at 9 p.m., U.S. Pacific Time, on July 9, 2008.

Options eligible for exchange in this offer are outstanding options to purchase PDF common stock that have an exercise price per share that is equal to or greater than U.S. \$10.00. However, if the average closing price of our common stock, as reported on the NASDAQ Global Market, for the five business days prior to the date of expiration of this offer is U.S. \$10.00 or higher, we will terminate this offer.

In this document, we use the term "option" to mean a particular option grant to purchase a specified number of shares of our common stock at a specified exercise price per share. You may tender for exchange all of your eligible options or none at all. However, if you choose to tender an eligible option, you must tender the entire outstanding, unexercised portion of that option and all other eligible options that you hold. We will not accept partial tenders of options.

The number of restricted stock rights to be granted in exchange for each eligible option grant surrendered in this offer will be determined based upon a 4.2 option shares -to-1.0 restricted share right exchange ratio. If you are eligible to participate in this offer, you will receive an Election Form which lists each option that you currently hold which has an exercise price equal to or greater than U.S. \$10.00, the number of restricted stock rights you will receive if each option is exchanged, and the vesting schedule that will apply to such restricted stock rights. Any fractional right will be rounded up to the nearest whole number.

Each restricted stock right granted pursuant to this offer represents the right to receive one share of our common stock when the restricted stock right vests through your continued service for a specified period. Until restricted stock rights have vested, they remain subject to restrictions on transfer and to forfeiture if your service terminates. If and when the restricted stock rights vest, the underlying shares of common stock will be issued to you free of forfeiture conditions and restrictions on transfer, other than required tax withholding and compliance with applicable securities laws, PDF securities trading policies and any other laws, rules or regulations. You will not be required to pay anything to receive restricted stock rights or shares pursuant to restricted stock rights in connection with this offer.

All restricted stock rights will be subject to the terms of the 2001 Plan and a restricted stock agreement between you and PDF.

Participation in this offer is voluntary, and there are no penalties for electing not to participate. If you choose not to participate in the offer, you will not receive restricted stock rights pursuant to the offer and your outstanding options will remain outstanding according to their existing terms and conditions.

If you want to exchange your eligible options, you must notify PDF of your election before our offer expires. You may notify PDF of your election by completing, signing and returning the Election Form and delivering it to P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, according to the instructions contained in the Election Form so that we receive it before the expiration date deadline.

At any time you may also request a copy of any option exchange program document by contacting the Offering Administrator at tenderoffer@pdf.com.

To inform yourself about our offer, you should:

- Read this whole document and all related attachments, including, the Election Form, the 2001 Plan and the form of restricted stock agreement;
- Review the list of your eligible options in your Election Form;
- Consider the questions and answers in the attached Summary Term Sheet; and
- Call P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com, if you have questions about our offer.

We are making this offer upon the terms and conditions described in this offer to exchange, the Election Form and Notice of Withdrawal. The offer is not conditioned on any minimum number of options being exchanged. Our offer is, however, subject to conditions that we describe in Section 7 of Part III of this document.

Shares of our common stock are quoted on the NASDAQ Global Market under the symbol "PDFS". On June 5, 2008, the closing price of one share of common stock on the NASDAQ Global Market was \$6.05. We recommend that you get current market prices for our common shares before deciding whether to exchange your eligible options.

IMPORTANT NOTICE

Although our Board of Directors has approved this offer, neither we nor our Board of Directors makes any recommendation to you as to whether or not you should tender your eligible options for exchange. Also, PDF has not authorized any person to make any recommendation on its behalf as to whether or not you should accept this offer.

You must make your own decision as to whether or not to exchange your eligible options. In doing so, you should rely only on the information contained in the offering materials, the materials referenced in Section 18 of Part III of this document, any official question and answer session organized by PDF, or any other authorized communications from PDF made generally available to eligible individuals, as no other representations or information have been authorized by PDF. We recommend that you consult with your own advisors, including your tax advisor, before making any decisions regarding the offer.

The restricted stock rights we are offering may end up being worth less than your existing options. In evaluating this offer, you should keep in mind that the future performance of PDF and its stock will depend upon, among other factors, the future overall economic environment, the performance of the overall stock market and companies in our sector, the performance of our own business and the other risks and uncertainties set forth in our filings with the U.S. Securities and Exchange Commission. In particular, we recommend that you read our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the period ended March 31, 2008, each of which has been filed with the U.S. Securities and Exchange Commission and is available free of charge on the Internet at www.sec.gov.

The statements in this document concerning the eligible options, the 2001 Plan and the restricted stock rights are summaries of the material terms but are not complete descriptions of the eligible options, the 2001 Plan, or the restricted stock rights. The stock plans under which the eligible options were granted, the restricted stock rights and the forms of award agreements have been filed as exhibits to our Tender Offer Statement on Schedule TO filed with the U.S. Securities and Exchange Commission (to which this document is also an exhibit). See Section 18 of Part III of this document for additional information regarding the Schedule TO.

Our offer is not being made to, and we will not accept any election to exchange options from or on behalf of, option holders in any jurisdiction in which our making the offer or accepting any tendered options is illegal. However, we may in our sole discretion take the actions we deem necessary for us to make this offer to option holders in such jurisdiction.

TABLE OF CONTENTS

I. SUMMARY TERM SHEET	1
How the option exchange program works	1
Background and purpose of the offer	2
Duration of the offer	2
How to elect to participate	2
U.S. federal and international income tax considerations	3
Change of control	3
How to get more information	3
II. CERTAIN RISKS OF PARTICIPATING IN THE OFFER	15
Economic risks	15
Tax-related risks for U.S. tax residents	16
Tax-related risks for non-U.S. tax residents	16
Business-related risks	17
III. THE OFFER	18
1. Eligibility	18
2. Number of Restricted Stock Rights; Expiration Date	18
3. Purpose of the Offer	19
4. Procedures for Tendering Options	20
5. Withdrawal Rights and Change of Election	21
6. Acceptance of Options for Exchange and Issuance of Restricted Stock Rights	23
7. Conditions of the Offer	23
8. Price Range of Our Common Stock	26
9. Source and Amount of Consideration; Terms of Restricted Stock Rights	27
10. Information Concerning PDF Solutions, Inc.	29
11. Interests of Directors and Officers; Transactions and Arrangements Concerning the Options	31
12. Status of Options Accepted by Us in the Offer; Accounting Consequences of the Offer	32
13. Legal Matters; Regulatory Approvals	32
14. Material U.S. Federal Income Tax Consequences	32
15. Considerations Specific to Eligible Individuals Outside of the United States	34
16. Extension of Offer; Termination; Amendment	35
17. Fees and Expenses	35
18. Additional Information	36
19. Miscellaneous	36
20. Forward-Looking Statements	37
APPENDIX A: Information About the Directors and Executive Officers of PDF Solutions, Inc.	A-1
APPENDIX B: Guide to International Issues	B-1

I. SUMMARY TERM SHEET

The following are answers to some questions about our offer. The answers are summaries and do not describe all of the details of the offer. You should read all of this document, the Election Form, the Notice of Withdrawal, our PDF Solutions, Inc. 2001 Stock Plan (the "2001 Plan") and the form of restricted stock agreement, because they contain the full details of our offer and the terms of the restricted stock rights, and these details could be important to you. For many of the questions, we have included a reference to the section or sections contained in Part III of this document where you can find a more complete discussion.

This summary is presented in question-and-answer format, organized as follows:

HOW THE OPTION EXCHANGE PROGRAM WORKS

1. What is the Offer?
2. Am I eligible to participate?
3. Are individuals outside the United States eligible to participate?
4. What happens if my service terminates before tendered options are canceled?
5. Which options may I exchange?
6. If I participate, what will happen to my current options?
7. I have more than one eligible option grant. Do I have to exchange all of them in order to participate?
8. May I tender unvested options?
9. May I tender an option that I have already exercised in full?
10. What is a stock option?
11. What are restricted stock rights?
12. What is the principal difference between stock options and restricted stock rights?
13. Do I have to pay any money to receive a restricted stock right or shares pursuant to a restricted stock right?
14. If I participate, how many restricted stock rights will I receive?
15. When will my restricted stock rights vest?
16. What will I receive when my restricted stock rights vest?
17. What is the source of the common stock that will be issued under my restricted stock rights?
18. What happens if my service terminates before all of my restricted stock rights vest?
19. If I participate, when will I receive my restricted stock agreement?
20. Where will I be able to view my restricted stock rights?

21. Will my restricted stock rights ever expire?
22. Are there risks that I should consider in deciding whether to exchange my options?
23. What happens if PDF's stock price increases during the offer?
24. Why should I consider participating in the offer?
25. Are there conditions to the offer?

BACKGROUND AND PURPOSE OF THE OFFER

26. Why is PDF making this offer?
27. Why did PDF choose to offer this exchange for restricted stock rights rather than repricing eligible options or granting new options?
28. If I have already held my options through the required vesting periods, why are there additional vesting requirements on the restricted stock rights?
29. Will there be additional equity grants in the future?
30. Is it likely that an offer similar to this one will be made in the future?
31. Does our Board of Directors have a recommendation about this offer?
32. Is there any information regarding PDF that I should be aware of?
33. What are the accounting consequences to PDF of making this exchange offer?

DURATION OF THE OFFER

34. How long will this offer remain open? Can the offer be extended, and if so, how will I know if it is extended?
35. If the offer is extended, how will the extension affect the date on which restricted stock rights will be granted?

HOW TO ELECT TO PARTICIPATE

36. What do I need to do to participate in the offer?
37. Do I have to return the Election Form or any other document if I do not want to exchange my options?
38. If I elect to exchange my options by submitting an executed Election Form, can I change my mind?
39. Will PDF accept all options tendered for exchange?
40. What happens to my options if I do not accept this offer or if my options are not accepted for exchange?
41. What if I am out of the office on leave of absence or sabbatical during the offer period?

U.S. FEDERAL AND INTERNATIONAL INCOME TAX CONSIDERATIONS

42. Will I have to pay U.S. federal income taxes at the time of the exchange if I participate in the offer?
43. What are the U.S. federal income tax consequences of receiving shares pursuant to restricted stock rights?
44. How will U.S. income and employment tax withholding be handled?
45. What are the tax consequences if I live outside of the United States?
46. Are there special considerations for people on international assignment or who have transferred from another PDF location in another country?

CHANGE OF CONTROL

47. If PDF is acquired by another company, are there any change of control provisions associated with this offer?

HOW TO GET MORE INFORMATION

48. Who can I talk to if I have questions about the offer?

References in this document to “PDF,” the “Company,” “we,” “us” and “our” means PDF Solutions, Inc., and references to the time “the offer expires” mean 9 p.m., U.S. Pacific Time, on July 9, 2008, or, if we extend the offer period, any later date that we specify. References to the “offer to exchange” mean this document and its appendices. References to the “offer” or the “program” mean the option exchange program described in the offer to exchange. References to dollars (“\$”) are to United States dollars.

HOW THE OPTION EXCHANGE PROGRAM WORKS

1. What is the Offer?

Beginning on June 10, 2008 and ending at 9 p.m., U.S. Pacific Time, on July 9, 2008, unless we extend the offer, each eligible individual (described in Question 2 below) may decide to exchange eligible options (described in Question 5 below) for restricted stock rights, at no cost to the individual (described in Question 11 below). If you are an eligible individual, your restricted stock rights will be granted in the form of rights to acquire shares of common stock. The number of restricted stock rights an eligible individual will receive in exchange for an eligible option grant will be determined by the exchange ratio (described in Question 14 below). Restricted stock rights will be subject to a new vesting schedule (described in Question 15 below), even if the options tendered in the exchange program currently are fully vested.

Participation in this offer is voluntary, and there are no penalties for electing not to participate. If you choose not to participate in the offer, you will not receive restricted stock rights pursuant to this offer, and your outstanding options will remain outstanding in accordance with their current terms and conditions.

2. Am I eligible to participate?

Only “eligible individuals” may participate in this offer. Generally, you are eligible to participate in the offer if you provide services to PDF or one of our subsidiaries as an employee (including an officer of the Company), consultant or Member of our Board of Directors on June 10, 2008 and are still an eligible employee, consultant or director to PDF or one of our subsidiaries (even if on an approved leave of absence) on the date on which the tendered options are canceled and restricted stock rights are granted. If you resign or receive a notice of termination at any time before the date on which the tendered options are canceled, you are not eligible to participate in the offer. (See Section 1 of Part III.)

3. Are individuals outside the United States eligible to participate?

Generally, yes; all employees, consultants and directors worldwide are eligible to participate in the offer. Please be sure to read Section 15 of Part III and Appendix B, which discuss terms of the offer specific to eligible individuals outside of the United States.

4. What happens if my service terminates before tendered options are canceled?

If you tender options for exchange under this offer, but before the tendered options are canceled your service with PDF or one of our subsidiaries terminates for any reason or you receive or submit a notice of termination, then your tender will automatically be deemed withdrawn and you will not participate in the option exchange program. You will retain your outstanding options in accordance with their current terms and conditions, and you may exercise them during a limited period of time following your termination of service in accordance with their terms to the extent that they are vested. If you are currently considered an “at-will” employee, this offer does not change that status, and your employment may be terminated by us or by you at any time, including before the offer expires, for any reason, with or without cause.

5. Which options may I exchange?

Only “eligible options” may be exchanged under this program. Eligible options are generally those option grants having an exercise price per share that is equal to or greater than \$10.00. Any options that you tender for exchange with a per share exercise price that is not equal to or greater than \$10.00 will not be eligible for exchange and will automatically be excluded from the offer. To determine which option grants are eligible for exchange, you should review the Election Form provided to you which lists all of your option grants which have an exercise price equal to or greater than \$10.00 and therefore are eligible for exchange. We will, however, terminate the offer if the average market closing price of our common stock for the five business days immediately preceding the date on which the offer expires is \$10.00 or more. (See Section 2 of Part III.)

6. If I participate, what will happen to my current options?

Eligible options that you elect to exchange under this program will be canceled promptly following the expiration of this offer and you will no longer have those options available for exercise. If you do not tender all of your eligible options for exchange, none of your eligible options will be canceled and such eligible options will remain outstanding and subject to their existing exercise prices and their existing terms. (See Section 6 and Section 12 of Part III.)

7. I have more than one eligible option grant. Do I have to exchange all of them in order to participate?

Yes. You may exchange all of your eligible option grants or none at all. If you choose to tender your eligible options for exchange, you must tender all of your outstanding, unexercised eligible option grants. For purposes of this offer, the term “option” means a particular option grant to purchase a specified number of shares of our common stock at a specified exercise price per share. We will not accept partial tenders of options. If you attempt to tender for exchange less than the entire outstanding, unexercised portion of an eligible option or some, but not all, of your eligible options, we will reject your tender in its entirety. (See Section 2 of Part III.)

8. May I tender unvested options?

Yes. Your eligible options do not need to be vested in order for you to participate in the offer. However, if you choose to tender a particular outstanding eligible option grant, you must tender the entire eligible option grant, both the vested and unvested portions.

9. May I tender an option that I have already exercised in full?

No. The offer pertains only to outstanding options. It does not apply in any way to shares you have already purchased, whether upon the exercise of options or otherwise, or whether or not you have vested in those shares. If you have exercised an option in its entirety, that option is no longer outstanding and is therefore not eligible for this offer. If you have exercised an eligible option grant in part, the remaining unexercised portion of that option is outstanding and may be tendered for exchange. Options for which you have properly submitted an exercise notice prior to the date the offer expires will be considered exercised to that extent, whether or not you have received confirmation of exercise for the shares purchased.

10. What is a stock option?

A stock option is the right to purchase shares of stock at a specified price, regardless of the actual market price of the stock at the time the option is exercised. Typically, the specified purchase or “exercise” price is the market price of a share of our common stock on the date the option is granted. Due to subsequent fluctuations, at any given time after the option is granted, the prevailing market price of the stock may be greater than, equal to, or less than, the specified exercise price of the option. When the market price is greater than the exercise price of the option (otherwise known as an “in-the-money” option), the option holder receives value from exercising the option, because he or she is able to buy the stock underlying the option at less than its prevailing market price and then sell the purchased stock for the higher prevailing market price. The holder of an option to purchase stock at an exercise price that is equal to or greater than the prevailing market price (otherwise known as an “out-of-the-money” or an “underwater” option) generally would not exercise the stock option. The options eligible for exchange under this program currently are “out-of-the-money”.

11. What are restricted stock rights?

Restricted stock rights are rights to acquire PDF common stock. If you elect to participate in this offer and receive restricted stock rights, they will be granted to you at no cost.

Restricted stock rights granted pursuant to this offer are not actual shares of PDF common stock. Rather, they represent the right to receive shares of our common stock on a future date (at no cost to the participant, although you may have to pay applicable withholding taxes). Each restricted stock right will be settled by the issuance of one share of PDF common stock on the date the restricted stock right vests. Restricted stock rights are subject to forfeiture upon termination of service, and to restrictions on transfer prior to vesting and the related issuance of shares of common stock. Shares you receive if and when your restricted stock rights vest will no longer be “restricted,” and you will be free to hold, transfer or sell them, subject to required tax withholding and compliance with applicable securities laws, PDF securities trading policies and any other laws, rules and regulations.

Generally, participants in the exchange offer will forfeit restricted stock rights, to the extent unvested, if they cease to provide services to PDF or one of our subsidiaries, and participants may not transfer, pledge, or otherwise dispose of unvested restricted stock rights. The vesting and forfeiture provisions, transfer restrictions and other terms of the restricted stock rights are set forth in the 2001 Plan and the forms of restricted stock agreement included as exhibits to our Tender Offer Statement on Schedule TO filed with the U.S. Securities and Exchange Commission (to which this offer to exchange is also an exhibit).

Participants granted restricted stock rights will not be PDF stockholders as a result of holding restricted stock rights, and restricted stock rights do not entitle their holders to vote at meetings of PDF stockholders. You will not be paid any dividends paid on PDF shares while you hold restricted stock rights, although we do not currently pay dividends on our stock and have no current plan to do so. Once the restricted stock rights have vested and the underlying shares of common stock are issued to you, you will become and have all of the rights of a PDF stockholder (such as voting and dividend rights) with respect to those shares, and you may transfer or sell the shares, subject to required tax withholding and compliance with applicable securities laws and any other laws, rules and regulations.

12. What is the principal difference between stock options and restricted stock rights?

When the market price of the underlying shares declines below the applicable option exercise price, as it has in the case of the options eligible under this offer, the option has no realizable value. In contrast, restricted stock rights continue to have value even if the market price of our stock has declined below its value at the time of grant.

The eligible options you now hold may have greater potential value in the event our common stock price increases significantly (because there are more shares underlying such options than there will be subject to the restricted stock rights that you would receive in the exchange), but the restricted stock rights you would receive if you choose to participate in the offer will likely have greater value if our common stock price does not increase significantly (because you will not have to pay anything to receive shares pursuant to such restricted stock rights), provided you hold the restricted stock rights for the applicable vesting period.

13. Do I have to pay any money to receive a restricted stock right or shares pursuant to a restricted stock right?

No. You do not have to pay any money to receive either restricted stock rights granted pursuant to this offer or shares issued pursuant to such restricted stock rights. However, you will be responsible for paying all applicable taxes in connection with the shares received pursuant to restricted stock rights and any subsequent sale of such shares. (See Questions 42 through 46 below and Sections 14 and 15 of Part III.)

14. If I participate, how many restricted stock rights will I receive?

The number of restricted stock rights that we are offering in exchange for each eligible option grant is determined by an exchange ratio. For every 4.2 shares subject to an eligible stock option grant that you surrender in the exchange, you will receive one restricted stock right. As an example, if you have a stock option grant for 42 shares with an exercise price of \$10.00, you would receive 10 restricted stock rights, subject to PDF's right to withhold or arrange for the sale of shares subject to the restricted stock right sufficient in number to satisfy any applicable withholding.

We will not issue any fractional restricted stock rights. Any exchange that would result in a fractional restricted stock right under the exchange ratio will be rounded up to the next whole share. We will terminate the offer if the average market closing price of our common stock for the five business days immediately preceding the date on which the offer expires is \$10.00 or greater. (See Questions 23 and 25, and Section 2 of Part III.)

15. When will my restricted stock rights vest?

Restricted stock rights received in exchange for eligible options will be subject to new vesting schedules which will generally provide that the shares subject to the restricted stock right will be unvested on the date of the exchange and will require a minimum period of at least approximately sixteen months of service after the date of the exchange to fully vest, even if the exchanged options were fully vested. The length of the vesting schedule for each restricted stock right will depend on when your stock options you exchange were granted to you. If your service with us terminates before all of your restricted stock rights have vested, you will generally forfeit any restricted stock rights that remain unvested at that time.

Vesting Applicable to Restricted Stock Rights:

Year During Which Exchanged Options Were Granted	Vesting Schedule of Restricted Stock Right
2000 - 2003	50% on 5/15/2009 and 50% 6-months thereafter
2004	25% on 5/15/2009 and 25% every 6-months thereafter
2005	16.7% on 5/15/2009 and 16.66% every 6-months thereafter
2006 and later years	12.5% on 5/15/2009 and 12.5% every 6-months thereafter

Only a whole number of restricted stock rights will vest in any period. Any fractional restricted stock right that would otherwise vest will be carried over to the next vesting period. (See Section 9 of Part III.)

If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.

16. What will I receive when my restricted stock rights vest?

Restricted stock rights will be settled on a one-to-one basis in shares of PDF common stock on the applicable vesting dates. We intend to satisfy any applicable withholding obligations that arise in connection with restricted stock rights through a "sell-to-cover" procedure further described in Question 44 below.

17. What is the source of the common stock that will be issued under my restricted stock rights?

The shares of PDF common stock issued under restricted stock rights will be issued under our 2001 Plan. Consistent with the terms of the 2001 Plan, the stock issuable under the 2001 Plan will be authorized but unissued shares or treasury shares. Shares subject to stock options or restricted stock rights that were granted under the 2001 Plan and later forfeited or terminated before being exercised will again become available for issuance pursuant to the 2001 Plan (including forfeitures that occur as a result of this offer).

18. What happens if my service terminates before all of my restricted stock rights vest?

You will generally forfeit any restricted stock rights that are not vested on the day you stop providing services to PDF or one of its subsidiaries for any reason. Any shares of common stock that you receive upon vesting of your restricted stock rights while you are an employee, consultant or director of PDF or one of its subsidiaries are yours to keep even after you leave PDF. If you elect to keep all of your eligible options (*i.e.*, you do not tender any options in the exchange), your stock option agreements generally provide that you have a limited period of time after your final day of service with us to exercise your stock options to the extent that they are vested. If you do not exercise them within that limited time period, you will forfeit all unexercised options, whether vested or unvested, and will not receive any compensation for such forfeited options.

If you believe you may resign before the restricted stock rights vest, you should carefully consider whether or not to participate in the offer. Your options currently may be fully or partially vested. If you do not exercise them, you may be able to exercise your vested options for a period of time after your service ends (as specified in your stock option agreement). If you participate in the offer, the options you elect to exchange will be canceled and you will generally forfeit any restricted stock rights that have not vested at the time your service ends. (See Section 9 of Part III.)

19. If I participate, when will I receive my restricted stock agreement?

Restricted stock rights will be granted promptly following expiration of the offer in exchange for all properly tendered options that we accept for cancellation and exchange. We expect to deliver restricted stock agreements to restricted stock right recipients via the Citigroup Global Markets Inc. website at www.benefitaccess.com as soon as practicable following the grant date; provided that you must accept the agreement by December 31, 2008, otherwise you will forfeit the agreement and all of the restricted stock rights.

20. Where will I be able to view my restricted stock rights?

You will be able to view your awards and monitor your vesting dates through Citigroup Global Markets Inc., much as you can do now with stock options that we have previously granted to you. If you have accepted the restricted stock agreement, on each semi-annual vesting date, your Citigroup Global Markets Inc. account will automatically reflect the shares of common stock subject to your restricted stock rights which have been issued to you on that date, in accordance with this offer, reduced by the number of shares we withhold or sell to satisfy any applicable withholding requirements. (See Questions 44 and 45.) You will be able to immediately sell all or a portion of your remaining vested shares of common stock from your Citigroup Global Markets Inc. account, subject to compliance with all applicable laws, rules and regulations, PDF securities trading policies and any other legal requirements.

21. Will my restricted stock rights ever expire?

No. If you still provide services to PDF or one of our subsidiaries on each of your semi-annual vesting dates and you received a restricted stock right pursuant to this offer, a portion of your shares will become vested shares on each semi-annual vesting date. If your service terminates, you will automatically forfeit any restricted stock rights that you hold at that time that are unvested. See also the answers to Questions 15, 16 and 17.

22. Are there risks that I should consider in deciding whether to exchange my options?

Yes. Exchanging your eligible options does have some risks. You should carefully review the discussion of certain of these risks in Part II of this document (“Certain Risks of Participating in the Offer”).

23. What happens if PDF’s stock price increases during the offer?

If our stock price increases during the offer, you may want to exercise some of your options or even decide that you do not want to participate in the offer. If you want to exercise any of your options that may be eligible for exchange and still participate in the offer, you can do so by exercising them before you make an election to participate. Once you have submitted an election to participate, you cannot exercise eligible options you have elected to exchange unless you first withdraw your previous election. If you withdraw and then exercise some of your eligible options and want to exchange the rest, you can do so by again following the procedures in Section 4 of Part III. We will terminate the offer if the average market closing price of our common stock for the five business days immediately preceding the date on which the offer expires is \$10.00 or more. The five-business day average closing price of our common stock prior to June 5, 2008, as reported on the NASDAQ Global Market, was \$5.616.

24. Why should I consider participating in the offer?

If you participate in the offer, you will surrender for exchange eligible options for more shares than the number of restricted stock rights you will receive, based on an exchange ratio of 4.2 option shares to 1 share subject to a restricted stock right, as described in the answer to Question 14 and Section 2 of Part III. The exchange ratio was determined by our Board of Directors on the basis of a number of factors. However, the eligible options that you hold might never be “in-the-money” (see Question 10) and, therefore, may never have any actual value to you, whereas restricted stock rights have a greater likelihood of having value when (and if) you sell the underlying stock.

Some examples (based on vesting schedules applicable to restricted stock rights to be granted) may assist you:

- If you have an eligible option grant for 42 shares at an exercise price of \$12.00 per share, at the exchange ratio of 4.2 option shares for 1.0 restricted stock right, you could elect to surrender this option and receive 10 restricted stock rights. If this option was granted from 2000 through 2003, your restricted stock rights would vest 50% on May 15, 2009. At that time, if the market price per share of our common stock is, for example, \$10.00, you could sell the vested portion of your award for \$50.00 (*i.e.*, 5 shares x \$10.00). If the market price remains the same throughout the vesting period, you could sell the remaining 50% of your award for an additional \$50.00 (*i.e.*, 5 shares x \$10.00) on the following semi-annual vesting date.
- If you chose to retain your option rather than exchanging it for restricted stock rights, you would not have been able to exercise the option for any value because, at an exercise price of \$12.00, it would be “out-of-the-money” when the market price is \$10.00 per share. It is possible that the price of our common stock will never rise above \$12.00 during the life of the option. If that happens, you will not be able to exercise and sell the underlying shares at a profit. However, if the market price per share of our common stock climbs to \$15.00, rather than \$10.00, your unexercised option would be worth \$126.00 (*i.e.*, 42 shares x (\$15.00 – \$12.00)), whereas the restricted stock rights that you would receive based on the 4.2-to-1.0 exchange ratio would be worth \$150.00 (*i.e.*, 10 shares x \$15.00).

The foregoing examples assume that you remain an eligible employee, consultant or director of the Company or one of its subsidiaries through the applicable vesting dates. In addition, none of the foregoing takes into account the tax effects of any of the transactions which are described in Questions 42 – 46.

Again, you should keep in mind that, if you choose to participate in this offer and receive restricted stock rights, you will be exchanging stock options that may already be vested either in full or in part for restricted stock rights that will be unvested at grant and will have a minimum period of at least approximately sixteen months before the restricted stock rights will vest in full. (See Question 15.)

To illustrate the significance of vesting on restricted stock rights, consider the first example above in which the price of our common stock remains at \$10.00 per share throughout the sixteen month-vesting period of the restricted stock rights. As explained above, the restricted stock rights would yield more than the stock options, since the options, with an exercise price of \$12.00 per share, would remain out-of-the-money for the entire period, while the shares underlying the restricted stock rights could be sold for a total of \$100.00 (*i.e.*, 10 shares x \$10.00). However, now assume that the stock price rises to \$20.00 per share prior to the first semi-annual restricted stock rights vesting date following the exchange, and then declines to \$10.00 per share for the remainder of the sixteen month vesting period. Under those assumptions, you would have lost the opportunity to realize \$336.00 (*i.e.*, 42 shares x (\$20.00 — \$12.00)) for your stock options (assuming you exercised them and sold the stock at \$20.00 per share), in exchange for restricted stock rights worth \$150.00 on the day they vest (*i.e.*, 5 shares x \$20.00 plus 5 shares x \$10.00). Moreover, if your service with the Company and its subsidiaries terminates prior to the time your restricted stock rights vest in full, you will not realize any value from the unvested portion of the award, which you will generally forfeit.

In evaluating this offer, you should keep in mind that the future performance of our common stock will depend upon, among other factors, the future overall economic environment, the performance of the overall stock market and companies in our sector, the performance of our own business and the risks and uncertainties set forth in our filings with the U.S. Securities and Exchange Commission. We recommend that you read our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the period ended March 31, 2008, which have been filed with the U.S. Securities and Exchange Commission and are available at www.sec.gov, as well as all other documents incorporated by reference in our Tender Offer Statement on Schedule TO (to which this document is also an exhibit).

25. Are there conditions to the offer?

Yes. The offer is subject to a requirement that the average market closing price of our common stock for the five business days immediately preceding the date on which the offer expires be less than \$10.00. In addition, the offer is subject to a number of other conditions that are described in Section 7 of Part III. The offer is not conditioned on a minimum number of options being tendered for exchange or upon a minimum number of option holders accepting the offer. Participation in the offer is completely voluntary.

BACKGROUND AND PURPOSE OF THE OFFER

26. Why is PDF making this offer?

Since many of the eligible options have been out-of-the-money for some time, they have not been exercised by their holders and have added to an increase in the “overhang” of options outstanding in relation to the aggregate number of shares of our common stock outstanding. In addition, as a result of the significant volatility in our stock price over the last several years, a considerable number of option holders of PDF or one of its subsidiaries are holding options that have exercise prices higher than the current and recent trading prices of our common stock. We believe that these out-of-the-money options are not achieving the purposes for which they were intended, primarily service provider incentives and retention. The overall purpose of this offer is to promote the interests of our stockholders by reducing our stock option overhang and by strengthening our ability to motivate and retain valued employees, consultants and directors. (See Section 3 of Part III.)

27. Why did PDF choose to offer this exchange for restricted stock rights rather than repricing eligible options or granting new options?

Our Board of Directors considered a variety of alternatives to address the issues of the stock option overhang and the significant number of out-of-the-money options. Ultimately, the Board determined that by exchanging stock options according to the terms of this offer, we will reduce the number of shares of stock subject to equity awards, thereby reducing potential dilution to our stockholders. Additionally, some option holders could benefit from the opportunity to choose between what we believe is the more certain benefit associated with restricted stock rights and the potentially more valuable, though less certain, benefit those holders may realize by retaining their stock options. By providing for the grant of replacement awards consisting of restricted stock rights rather than new at-the-money stock options, our Board of Directors also sought to strengthen PDF's equity-based retention incentives while further aligning our existing equity compensation programs with our overall compensation philosophy. (See Section 3 of Part III.)

28. If I have already held my options through the required vesting periods, why are there additional vesting requirements on the restricted stock rights?

Two of the principal purposes of our equity programs are to align the interests of our employees, consultants and directors with those of our stockholders and to retain the services of these employees, consultants and directors. We believe that anything shorter than the vesting schedules described in Question 15 would not adequately allow us to further these objectives. You should carefully consider the risks of exchanging vested options for unvested restricted stock rights. (See Questions 15 and 24.)

29. Will there be additional equity grants in the future?

Our Board of Directors and its Compensation Committee periodically evaluate our compensation programs. At this time, the Board and Compensation Committee believe that equity compensation forms an important component of our compensation programs and they fully intend to periodically evaluate future equity awards for eligible individuals.

30. Is it likely that an offer similar to this one will be made in the future?

While our Board and Compensation Committee evaluate PDF's compensation programs periodically, it has no current intention to make any similar offer in the future. You should make your decision on the assumption that, if you do not surrender your eligible options in accordance with the terms of this offer (including deadlines stated in this offer to exchange), you will not have another similar opportunity.

31. Does our Board of Directors have a recommendation about this offer?

Our Board of Directors is not making a recommendation about this offer. Although the Compensation Committee of the Board and our Board of Directors have approved this exchange offer, they recognize that the decision to accept or reject this offer is an individual one that should be based on a variety of factors, including your own personal circumstances and preferences. You should consult with your personal advisors if you have questions about your financial or tax situation. Neither we, the Compensation Committee, nor our Board of Directors are making a recommendation as to whether or not to accept this exchange offer.

32. Is there any information regarding PDF that I should be aware of?

Yes. Your decision of whether to accept or reject this offer should take into account the factors described in this offer to exchange, as well as the various risks and uncertainties inherent in our business. These risks include, but are not limited to, those risks set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the period ended March 31, 2008. In addition, before making your decision to tender your eligible options, you should carefully review the information about PDF discussed in Part II ("Certain Risks of Participating in the Offer") and in Section 10 of Part III of this document. This information includes an update on recent events affecting our business and explains where you can find additional information about us.

33. What are the accounting consequences to PDF of making this exchange offer?

Under the current accounting rules, both stock options and restricted stock rights result in an expense for financial accounting purposes and the amount of that expense is based on their “estimated fair value” at the grant date. For accounting purposes, to the extent the fair value of each award of restricted stock rights granted to participants exceeds the fair value of the stock options surrendered, determined on the exchange date, such excess is considered additional compensation. (See Section 12 of Part III.)

DURATION OF THE OFFER

34. How long will this offer remain open? Can the offer be extended, and if so, how will I know if it is extended?

This offer begins on June 10, 2008 and is scheduled to expire at 9 p.m., U.S. Pacific Time on July 9, 2008. No exceptions will be made to this deadline, unless we extend it. Although we do not currently intend to do so, we may, in our sole discretion, extend the expiration date of this offer at any time. If we extend this offer, we will publicly announce the extension no later than 6 a.m., U.S. Pacific Time, on the next business day after the last previously scheduled or announced expiration date. (See Section 16 of Part III.)

35. If the offer is extended, how will the extension affect the date on which restricted stock rights will be granted?

If we extend the offer and you elect to participate in it, you must properly tender your eligible option grants you wish to exchange before the expiration of the extended offer period. Your properly tendered eligible options will be accepted and canceled, and your award of restricted stock rights will be granted, promptly following the extended expiration.

HOW TO ELECT TO PARTICIPATE

36. What do I need to do to participate in the offer?

To properly elect to exchange your eligible options, you must notify PDF of your election before 9 p.m., U.S. Pacific Time, on the expiration date, which is currently July 9, 2008. Complete, sign, date and return the Election Form and deliver it to P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, according to the instructions contained in the Election Form so that we receive them before the expiration date deadline.

At any time you may also request a copy of any option exchange program document by contacting the Offering Administrator at tenderoffer@pdf.com.

37. Do I have to return the Election Form or any other document if I do not want to exchange my options?

No. You do not have to return any documents to us if you do not wish to exchange your eligible options in this offer. If you do not return the executed Election Form, you will not participate in the option exchange program. This offer is completely voluntary, and there are no penalties for electing not to participate in the offer.

38. If I elect to exchange my options by submitting an executed Election Form, can I change my mind?

Yes. If you decide to participate in the offer and then decide to withdraw the election you submitted, you may do so at any time before the offer expires. You may withdraw your election by submitting a Notice of Withdrawal. (See Section 5 of Part III.)

If you then decide to make a new election, you must submit a *new* executed Election Form. Your election to withdraw must be received by P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, before the offer expires.

39. Will PDF accept all options tendered for exchange?

We intend to accept all options that are properly tendered for exchange unless the offer is terminated. If we terminate the offer without accepting options for exchange, we will communicate this to you by 9 p.m., U.S. Pacific Time on the first business day after the offer expires (*i.e.*, if the expiration date is July 9, 2008, this communication will be no later than 9 p.m., U.S. Pacific Time on July 10, 2008). The communication may be made orally, by written or electronic notice or by public announcement. (See Sections 6 and 16 of Part III.)

40. What happens to my options if I do not accept this offer or if my options are not accepted for exchange?

Nothing. If you do not elect to participate in the offer, or if we do not accept options that are tendered for exchange, you will keep all your current options, and you will not receive any restricted stock rights. The offer will not result in any changes to the terms of your current options. (See Section 4 of Part III.)

41. What if I am out of the office on leave of absence or sabbatical during the offer period?

If you will be on a leave of absence, extended paid-time-off or sabbatical during any portion of the offer period, you may request that copies of the Election Form be mailed to your home address. Please contact the Offering Administrator at tenderoffer@pdf.com. It is your responsibility to contact PDF to obtain the election materials if you will be out of the office for an extended time during the offer period. If you do not submit an executed Election Form, you will not participate in the option exchange program.

U.S. FEDERAL AND INTERNATIONAL INCOME TAX CONSIDERATIONS

42. Will I have to pay U.S. federal income taxes at the time of the exchange if I participate in the offer?

We believe that individuals who are subject to U.S. income taxation will incur no immediate U.S. federal income tax consequences as a result of either electing to retain their eligible options or electing to exchange their eligible options for restricted stock rights. However, see the response to Question 43 for the U.S. federal income tax consequences of shares received pursuant to your restricted stock rights.

43. What are the U.S. federal income tax consequences of receiving shares pursuant to restricted stock rights?

Individuals subject to U.S. income taxation will recognize no taxable income upon the receipt of restricted stock rights. You will, however, recognize ordinary income (like salary) at the time the restricted stock rights vest and shares are issued pursuant to the restricted stock rights. The amount of ordinary income recognized will be equal to the fair market value of the shares on the vesting date. We will determine the fair market value of the shares based on the closing price of our common stock as reported on the NASDAQ Global Market on the applicable vesting date. The ordinary income resulting from the vesting of restricted stock rights and issuance of shares will be reflected in your Form W-2 reported to the Internal Revenue Service for the year of vesting. At the time that you recognize ordinary income, you will have an income and employment withholding tax obligation with respect to that income, much like the obligation that arises when we pay you your salary. (See Question 44 and Section 14 of Part III.)

Upon a U.S. participant's sale of shares acquired under a restricted stock right, any gain or loss, based on the difference between the sale price and the fair market value of the shares on their vesting date, will be taxed as a capital gain or loss. Such gain or loss will be long-term if the participant held the shares more than one year following their vesting date.

44. How will U.S. income and employment tax withholding be handled?

For our participants who are subject to U.S. income taxation, as your restricted stock rights vest over time and you are issued shares pursuant to your restricted stock rights, you will be required to recognize taxable income. This means that we will have an obligation to withhold income and employment taxes, much like the obligation that arises when we pay you your salary. Until you have satisfied these tax withholding requirements, we will have no obligation to release shares to you. Generally, non-employee directors and consultants will not be subject to such withholding, but may be required to pay quarterly estimated taxes.

As your restricted stock rights vest over time and you are issued shares pursuant to your restricted stock rights, you will automatically participate in one or more block trades, through Citigroup Global Markets Inc., of a portion of your shares to obtain sufficient proceeds to satisfy the withholding tax liability. Out of the proceeds of the sale of withheld shares, Citigroup Global Markets Inc. will remit to us the proceeds (note that the full amount of the proceeds will be applied to satisfy any applicable tax, withholding or other liability, even if it may exceed the minimum amount required to satisfy such tax, withholding or other liability). Any sale of your shares must be made in compliance with securities laws restrictions and our insider trading policies including our pre-clearance requirements.

Promptly after each vesting date, Citigroup Global Markets Inc. will group a portion of your shares as part of one or more block trades and sell enough shares to cover the amount of withholding taxes on your shares. Citigroup Global Markets Inc. will charge a trade commission for this sale, which Citigroup Global Markets Inc. will deduct from the proceeds of the sale of the shares. Your sale price per share for your shares will be the weighted average sale price for all of the shares of all holders that Citigroup Global Markets Inc. sells in all of the block trades. The amount of withholding taxes you owe will depend on the last sale price of our common stock as reported on the NASDAQ Global Market on the vesting date. However, the block trades will not occur until one or more trading days after your vesting date, and it may take several trading days to sell sufficient shares to cover all withholding taxes on the shares. The trading price of our common stock may decline during that period. You may therefore have to sell shares at lower prices to cover taxes set on the basis of a higher market price. This would increase the number of shares that you would need to sell in order to cover the withholding taxes on your shares. You will bear the full risk of changes in the trading price of our stock. This risk may affect your ability to cover your tax obligations on the shares. We and Citigroup Global Markets Inc. will attempt to estimate the correct number of shares to sell to cover withholding taxes based on the price of our common stock. But it is possible that the proceeds from the sale will be either too much or too little to pay the withholding taxes. If there are insufficient proceeds to cover the withholding taxes on your shares, then we reserve the right to deduct the necessary amount from your next paycheck unless you deliver to us a check for the balance of the taxes due. If there are excess proceeds, they will be applied to any applicable tax, withholding or other liability that you have with respect to the shares. If there is not a market in our common stock, we will have the right to make other arrangements to satisfy the withholding tax obligations.

If you are subject to U.S. income tax and participate in the block trades to cover the withholding taxes on your shares, or if you otherwise plan to sell any of your shares, you should be aware of the “wash sale” provisions of Section 1091 of the Internal Revenue Code. Under those provisions, a loss from the sale of stock is not deductible for income tax purposes if the taxpayer acquires other shares of the same stock within 30 days before or after the sale. If this loss of tax deductibility occurs, the tax rules provide for an adjustment in the tax basis of your other acquired stock to reflect the amount of the non-deductible loss. An acquisition of shares of our common stock under our 2001 Employee Stock Purchase Plan is an acquisition of other shares of the same stock for purposes of the wash sale provisions.

If your service with us is terminated for any reason after you have received shares of common stock but before you have satisfied your income and employment withholding tax obligation, you will authorize us to instruct Citigroup Global Markets Inc. to sell on your behalf a number of shares sufficient to satisfy your income and employment tax obligation, and we will deduct the entire amount of any remaining tax obligation from your final paycheck.

45. What are the tax consequences if I live outside of the United States?

Eligible individuals who are residents of countries other than the United States who receive restricted stock rights in the exchange offer will be subject to the income and social insurance tax laws of those countries. See Section 15 of Part III (“Considerations Specific to Eligible Individuals Outside of the United States”) and Appendix B (“Guide to International Issues”) for additional information regarding the income and social insurance tax consequences of this exchange offer to non-U.S. participants. If you are subject to income tax in more than one country, you should be aware that there may be income and social insurance tax consequences in addition to those described in the exchange offer which may apply to you. Please consult your personal tax advisor to discuss these consequences.

46. Are there special considerations for people on international assignment or who have transferred from another PDF location in another country?

For participants on international assignment or who have recently transferred within PDF internationally, please refer to the Guide to International Issues attached as Appendix B. If your questions are not answered by the attached international guide, please consult your personal tax advisor.

CHANGE OF CONTROL

47. If PDF is acquired by another company, are there any change of control provisions associated with this offer?

Yes. If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.

If we are acquired by another company before the offer expires, you may withdraw your tendered options and have all of the rights under your options. Further, if we are acquired prior to the offer expiration date, we reserve the right to withdraw the offer, in which case your options will remain outstanding subject to their terms.

HOW TO GET MORE INFORMATION

48. Who can I talk to if I have questions about the offer?

For additional information or assistance, you should call P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

In addition to these resources, we also plan to arrange for question and answer sessions about this exchange program. These sessions will not be a solicitation or make any recommendations whatsoever with respect to the offer. For example, we will not be able to answer questions about your personal situation or otherwise provide an assessment of the merits of this offer. You should consult your personal advisors if you have questions about your financial or tax situation. We will be providing you information about the timing and location of the question and answer session in the coming days.

II. CERTAIN RISKS OF PARTICIPATING IN THE OFFER

Participation in the offer involves a number of potential risks, including those described below. The risks identified in this section and the risks described under the heading entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the U.S. Securities and Exchange Commission on March 17, 2008 and in our Quarterly Report on Form 10-Q for the period ended March 31, 2008, filed with the U.S. Securities and Exchange Commission on May 12, 2008, highlight the material risks of participating in this offer. Eligible individuals should carefully consider these risks and are encouraged to speak with an investment and tax advisor as necessary before deciding to participate in the offer. We strongly recommend that you read the rest of this offer to exchange. In addition, individuals who live and work outside of the United States are encouraged to read Section 15 of Part III (“Considerations Specific to Eligible Individuals Outside of the United States”) and Appendix B (“Guide to International Issues”) of this offer to exchange discussing income and social insurance tax consequences in various countries, as well as the other documents listed above, and consult with an investment and tax advisor as necessary before deciding to participate in this offer.

ECONOMIC RISKS

If our stock price increases after the date your tendered options are canceled, including if we are acquired by or merge with another company, your canceled options might have been worth more than the restricted stock rights that you receive in exchange for them.

We cannot predict the market price of our stock. It is possible over time that options you tender for exchange would have had a greater value or lesser value than the restricted stock rights you receive under this offer.

We may engage in transactions in the future with business partners or other companies which could significantly change our structure, ownership, organization or management or the make-up of our Board of Directors, and which could significantly affect the price of our shares.

If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction. Option holders who do not tender their options in the offer will have their outstanding options treated in accordance with the terms of the plan under which they were granted, and if their options are assumed by a successor to PDF, those options would be priced in accordance with the terms of that transaction. Since the options represent rights to purchase a greater number of shares than the restricted stock rights that would replace them under this offer, this could potentially result in a greater financial benefit for those option holders who decided not to participate in this offer and who instead retain their original options.

If you do not have a service relationship with PDF or one of its subsidiaries for any reason on the date your restricted stock rights would otherwise vest, including as the result of a reduction-in-force, you will generally forfeit any then unvested restricted stock rights.

This means that if you quit for any reason, die, or we terminate your service, with or without cause or notice, and you are not an eligible employee, consultant or director on the date your restricted stock rights would vest, you will generally forfeit the unvested restricted stock rights and will not receive anything for the options you tendered and we canceled. This offer is not a guarantee of employment or service for any period. Your employment or service relationship with PDF (or one of our subsidiaries or a successor entity, as applicable) may be terminated at any time by either you or us, or our subsidiary or successor entity, with or without cause or notice, subject to any employment or service agreement you may have with PDF (or one of our subsidiaries or a successor entity, as applicable).

If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.

We will not grant restricted stock rights to you if we are prohibited by applicable laws, rules, regulations or policies.

Even if we accept your tendered options, we will not grant restricted stock rights to you if we are prohibited by applicable laws, rules, regulations or policies from doing so. Such a prohibition could result from, among other things, changes in U.S. laws, U.S. Securities and Exchange Commission rules, regulations or policies or NASDAQ Global Market listing requirements or if you move to a jurisdiction in which we are prohibited or prevented from granting restricted stock rights.

TAX-RELATED RISKS FOR U.S. TAX RESIDENTS

General

When your restricted stock right vests and shares of PDF common stock are issued to you, you will generally recognize ordinary income equal to the fair market value of the shares. Any excess of the proceeds on a subsequent sale of the shares over their fair market value on the vesting date will be a capital gain, although you will be eligible for favorable long-term capital gain treatment only if you have held the shares for more than 12 months from the date of vesting.

Tax Withholding

If you are an employee, in most cases, at the time the restricted stock right vests and shares are issued, you will be responsible for FICA taxes. This means that you are potentially subject to the old age and survivor component of FICA. However, this is true only to the extent your salary does not exceed the Social Security taxable wage base for that year (\$102,000 for 2008). This also generally means that 1.45% of the fair market value of the shares issued pursuant to the restricted stock right at the time of vesting would have to be withheld in payment of Medicare tax. In addition, you will have an income tax withholding obligation with respect to ordinary income you must recognize on the vesting date, much like the obligation that arises when we pay you your salary. PDF will be authorized under the 2001 Plan and your restricted stock agreement to withhold proceeds received upon sale of the underlying common stock through a sell-to-cover arrangement. Alternatively, PDF may satisfy these tax withholding obligations by one of the methods described in the response to Question 44 and in Section 14 of Part III. Generally, non-employee directors and consultants will not be subject to such withholding, but may be required to pay quarterly estimated taxes.

The income tax withholding may be insufficient to cover your final income tax liability with respect to the vesting of your restricted stock rights. You should consult with your own tax advisor to determine whether you should make estimated tax payments for each year in which your restricted stock rights vest and shares are issued.

You should review Section 14 of Part III carefully for a more detailed discussion of the potential consequences of participating in this offer. We recommend that you consult with your personal tax advisor before deciding whether or not to participate in the offer with respect to the tax consequences relating to your specific circumstances.

TAX-RELATED RISKS FOR NON-U.S. TAX RESIDENTS

If you are an eligible individual who is not a resident of the U.S. for tax purposes, you should refer to Appendix B (“Guide to International Issues”) to this offer to exchange for a discussion of the tax, social insurance and other legal consequences of accepting or rejecting the offer under various foreign laws.

If you are a tax resident or citizen of a foreign jurisdiction or are otherwise subject to a tax liability in a foreign jurisdiction and you participate in this offer, you may be liable for income and social insurance tax in connection with the grant of restricted stock rights to you. Subject to any modification required to comply with local law, we expect to satisfy any applicable tax, withholding or other obligations with respect to our international participants by using the procedures described in the response to Question 44 and in Section 14 of Part III. In addition, you may have exchange control reporting obligations.

The Guide to International Issues found in Appendix B is general in nature and is not complete and may not apply to your specific circumstances. In addition, tax consequences change frequently and occasionally on a retroactive basis. We therefore recommend you consult with your personal tax advisor in your own country about the effect on your personal tax situation if you choose to participate in the offer.

If you are eligible for the offer and you live or work in one country but are also subject to the tax laws in another country, you should be aware that there may be other income and social insurance tax consequences which may apply to you. We recommend you consult your own tax advisor to discuss these consequences.

BUSINESS-RELATED RISKS

For a description of risks related to PDF's business, please see the discussion of risks associated with our business under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and the Quarterly Report on Form 10-Q for the period ended March 31, 2008.

III. THE OFFER

Section 1. Eligibility.

Individuals are “eligible individuals” if they are employees (including officers) or consultants of PDF or one of our subsidiaries or members of our Board of Directors on the date the offer commences and on the date on which the tendered options are canceled and restricted stock rights are granted. Individuals who are on medical, maternity, paternity, worker’s compensation, military or another statutorily protected leave of absence or an approved personal leave of absence are eligible to participate in the offer. However, any individual who resigns or is dismissed or receives a “notice of termination” (as defined below) at any time before the tendered options are canceled is not eligible to participate in the offer.

For purposes of this offer, an individual will have received a “notice of termination” if the individual has received a written notice that PDF or one of its subsidiaries intends to take the steps necessary to end the individual’s service relationship or, in accordance with local laws, the individual has received an offer, filed or has agreed in writing to file a petition in a labor court or has entered into an agreement, in each case, to end the individual’s service relationship with PDF or one of its subsidiaries. If you are currently considered an “at-will” employee, this exchange offer does not change that status, and your employment may be terminated by us or by you at any time, including before the exchange offer expires, for any reason, with or without cause.

Section 2. Number of Restricted Stock Rights; Expiration Date.

We are offering eligible employees, consultants and directors the opportunity to exchange their outstanding stock options to purchase our common stock, par value \$0.00015 per share, that have a per share exercise price equal to or greater than \$10.00 for restricted stock rights. We refer in this offer to option grants with a per share exercise price that is equal to or greater than \$10.00 as “eligible options”. Our offer is subject to the terms and conditions described in this offer to exchange, the Election Form and the Notice of Withdrawal.

Each restricted stock right granted pursuant to this offer represents the right to receive one share of our common stock when the restricted stock right vests through the participant’s continued service for a specified period. Until restricted stock rights have vested, they remain subject to restrictions on transfer and to forfeiture if the participant’s service terminates. If and when the restricted stock rights vest, the underlying shares of common stock will be issued to the participant free of forfeiture conditions and restrictions on transfer, other than required tax withholding and compliance with applicable securities laws, PDF securities trading policies and any other laws, rules or regulations. The participant will not be required to pay anything to receive restricted stock rights or shares pursuant to restricted stock rights in connection with this offer. The restricted stock rights will be granted under, and will be subject to the terms and conditions of, our 2001 Plan and a restricted stock agreement between PDF and the eligible individual.

As of June 5, 2008, options to purchase approximately 7,795,617 shares of our common stock were outstanding under our equity compensation plans. Of these, options held by eligible individuals to purchase approximately 4,551,711 shares of our common stock have per share exercise prices equal to or greater than \$10.00 per share, and are thus potentially eligible to participate in this offer. Assuming all such options are properly tendered for exchange, we will issue approximately 1,084,069 restricted stock rights. However, in the event that the average closing price of our common stock, as reported on the NASDAQ Global Market, for the five business days prior to the date of expiration of this offer is \$10.00 or higher, we will terminate this offer exchange program.

You may tender for exchange all of your eligible options or none at all. However, if you choose to tender eligible option grants, you must tender for exchange the entire outstanding, unexercised portion of all of your option grants. For the purposes of this offer, the term “option” means a particular option grant to purchase a specified number of shares of our common stock at a specified exercise price per share. In other words, you will not be permitted to exchange part, but not all, of any particular option grant, and you will not be permitted to exchange some, but not all, of your eligible options grants. For example, if an eligible individual has received two individual option grants, both of which remain outstanding in their entirety, consisting of (a) an option to purchase 1,000 shares of common stock with an exercise price of \$13.00 and (b) an option to purchase 1,000 shares of common stock with an exercise price of \$15.00, that individual may choose to exchange *both* or *neither* of the options. In this example, the individual may not choose to exchange less than the entire option for 1,000 shares under either grant and may not choose to exchange only one option grant. We will not accept partial tenders of options. If you attempt to tender for exchange less than the entire outstanding, unexercised portion of an eligible option or for some but not all of your eligible options, we will reject your tender in its entirety.

The number of restricted stock rights to be granted in exchange for each eligible option grant surrendered in this offer will be determined based upon a 4.2 option shares -to-1.0 restricted share right exchange ratio. This means that for each 4.2 shares subject to an option that we cancel, we will grant one restricted stock right. We will not issue any fractional restricted stock rights. Accordingly, any exchange that would result in a fractional right will be rounded up to the next whole number of restricted stock rights. For example, if a participant elects to exchange an eligible option grant to purchase 50 shares of our common stock, that participant will receive a total of 12 restricted stock rights (*i.e.*, 50 divided by the exchange ratio of 4.2 is 11.9, and rounded up to the next whole number is 12).

You will receive an Election Form which identifies each of the options you currently hold which has an exercise price equal to or greater than \$10.00 and therefore may be eligible for exchange, the number of restricted stock rights you will receive if each option is exchanged, and the vesting schedule that will apply to such restricted stock rights. If you have misplaced your Election Form, you may request assistance or another copy of your statement by contacting the Offering Administrator at tenderoffer@pdf.com.

This offer will expire on the expiration date. The term “*expiration date*” means 9 p.m., U.S. Pacific Time, on July 9, 2008 unless we, in our discretion, extend the period of time during which the offer will remain open. If we extend the period of time during which the offer remains open, the term “*expiration date*” will mean the latest time and date at which the offer expires. See Section 16 of Part III for a description of our rights to extend, delay, terminate and amend the offer.

Section 3. Purpose of the Offer.

We are making this exchange offer to reduce the “overhang” of outstanding stock options and to incentivize and retain individuals providing services to PDF and its subsidiaries.

Under this offer, participants will receive fewer restricted stock rights than the number of shares subject to options that are canceled in the exchange. Therefore, the number of shares of our common stock subject to all outstanding stock options will be reduced, thereby reducing our option overhang.

We have granted options under our equity compensation plans to provide our employees, consultants and directors with an opportunity to acquire or increase a proprietary interest in PDF, thereby creating a stronger incentive to contribute to our growth and success and encouraging our employees, directors and consultants to continue their service with PDF. However, in light of the significant volatility in the market price of our common stock over the last several years, a number of our option holders are holding options that have exercise prices higher than the current and recent trading prices of our common stock. We believe that these out-of-the-money options are not achieving the purposes for which they were intended. By making this offer we expect to be able to provide better performance incentives to our continuing employees, directors and consultants and more closely align their interests with those of our stockholders in maximizing stockholder value.

Our Board of Directors considered a variety of alternatives to address the issues of the stock option overhang and the significant number of out-of-the-money options. Ultimately, the Board determined that by exchanging stock options according to the terms of this offer, we will reduce the number of shares of stock subject to equity awards, thereby reducing potential dilution to our stockholders. Additionally, the Board determined that some option holders could benefit from the opportunity to choose between what we believe is the more certain benefit associated with restricted stock rights and the potentially more valuable, though less certain, benefit those holders may realize by retaining their stock options. By providing for the grant of replacement awards consisting of restricted stock rights rather than new at-the-money stock options, the Board of Directors also sought to strengthen PDF’s equity-based retention incentives while further aligning our existing equity compensation programs with our overall compensation philosophy.

Although the Compensation Committee of our Board of Directors and the Board of Directors have approved this offer, they recognize that the decision to accept or reject the offer is an individual one that should be based on a variety of factors. Accordingly, you should consult with your personal advisors if you have questions about your financial or tax situation. We and our Board of Directors are not making any recommendation to you as to whether you should elect to exchange your options. The restricted stock rights we are offering may end up being worth less than your existing options. You must make your own decision whether to exchange your options.

Section 4. Procedures for Tendering Options.

Proper Tender of Options.

To properly elect to exchange your eligible options, you must notify PDF of your election before 9 p.m., U.S. Pacific Time, on the expiration date, which is currently July 9, 2008. Complete, sign, date and return the Election Form and deliver it to P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, according to the instructions contained in the Election Form so that we receive them before the expiration date deadline.

At any time you may also request a copy of any option exchange program document by contacting the Offering Administrator at tenderoffer@pdf.com.

To submit an executed Election Form, you must send the entire Election Form via electronic delivery, facsimile, regular mail, overnight courier or hand delivery using the following contact information:

Via Electronic Delivery:

Scan the completed and signed Election Form and email it to tenderoffer@pdf.com.

Via Facsimile:

PDF Solutions, Inc., Attn: P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at +1 (408) 938-6478.

Via Regular Mail, Overnight Courier or Hand Delivery:

PDF Solutions, Inc., 333 West San Carlos Street, Suite 700, San Jose, California 95110, Attn: P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives.

Your acceptance of our offer will be effective as of the date PDF receives your executed Election Form by any of the methods described above. While not a condition to your election, if you submitted your executed Election Form by way of electronic delivery or facsimile, we also ask that you make a copy for your own files and then please submit the original executed Election Form to P. Steven Melman by any of the methods described above. It is your responsibility to ensure that your election is received by PDF by the deadline.

You do not need to return your stock option agreements in order to effectively elect to accept our exchange offer.

If you send to PDF an executed Election Form, you may confirm that your documents have been received by sending an email to the Offering Administrator at tenderoffer@pdf.com. We intend to confirm receipt of your executed Election Form within three business days of its arrival. If you do not receive confirmation of our receipt, it is your responsibility to ensure that PDF has properly received your completed forms.

You are not required to return an executed Election Form. However, if PDF does not receive the executed Election Form before **9 p.m., U.S. Pacific Time, on the expiration date, which is currently July 9, 2008**, we will interpret this as your election not to participate in the offer, and you will retain all of your outstanding options with their current terms.

Your proper and timely submission of an election to participate or an election to withdraw from participation will constitute a "**submitted election**". To be timely, your election must be **RECEIVED** by PDF before the offer expires by delivery of an executed Election Form as described above.

The method of delivery of your executed Election Form is at your election and risk. Your executed Election Form will be effective upon receipt. In all cases, you should allow sufficient time to ensure PDF receives them in time. If you do not receive confirmation of our receipt, it is your responsibility to ensure that PDF has received your forms.

Determination of Validity; Rejection of Options; Waiver of Defects; No Obligation to Give Notice of Defects.

We will determine, in our discretion, all questions as to the number of shares subject to eligible options, and the validity, form, eligibility (including time of receipt) of submitted elections (including any changes of elections) and acceptance of any tender of options. Our determination of these matters will be final and binding on all parties. We may reject any submitted elections or any options tendered for exchange to the extent that we determine they are not properly completed or to the extent that we determine it is unlawful to accept the options for exchange. We may waive any defect or irregularity in a submitted election. No eligible options will be properly tendered for exchange until all defects or irregularities have been cured by the option holder or waived by us. Neither we nor any other person is obligated to give notice of any defects or irregularities in any submitted election, and no one will be liable for failing to give notice of any defects or irregularities.

Your Choosing to Participate and Our Accepting Your Options Constitute an Agreement.

If you elect to exchange your options by submitting an executed Election Form in accordance with the procedures described above, you will have accepted the terms and conditions of our offer. If we accept the eligible options that you properly tender for exchange, there will be a binding agreement between us and you on the terms and subject to the conditions of this offer to exchange and the Election Form. Subject to our rights to extend, terminate and amend the offer, we currently expect that we will accept promptly after the expiration of the offer all properly tendered eligible options that have not been validly withdrawn.

Effect of Exchange on Options.

If you elect to exchange your eligible options and we accept such options for exchange, effective on our acceptance, the eligible options you tendered for exchange will be canceled and the stock option agreement(s) evidencing them will be deemed null and void. You will be required to accept a restricted stock agreement governing the terms of your restricted stock rights by December 31, 2008, otherwise you will forfeit the agreement and all of the restricted stock rights. If you do not elect to exchange your eligible options or you properly withdraw a previously submitted election, you will not participate in the offer with respect to such options and you will retain your options at their current exercise price(s) and subject to their current terms.

Questions About the Offer.

You can ask questions about this offer or request assistance by contacting P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at +1 (408) 938-6445 or sending an email to tenderoffer@pdf.com. You can request additional copies of the exchange offer documents and copies of the Election Form by sending an email to the Offering Administrator at tenderoffer@pdf.com.

Section 5. Withdrawal Rights and Change of Election.

You may only withdraw your tendered options or change your election in accordance with the provisions of this Section 5.

You may withdraw your tendered options from the option exchange offer at any time before 9 p.m., U.S. Pacific Time, on July 9, 2008. If we extend the offer beyond that time, you may withdraw your tendered options at any time until the extended expiration date. We expect to accept and cancel all properly tendered eligible options promptly following the expiration of the offer.

If your service with PDF or one of its subsidiaries terminates prior to the cancellation of options tendered pursuant to this offer, your tendered options will automatically be withdrawn. If automatically withdrawn, you may exercise those options to the extent they are vested at the time of your termination of service, but only during the limited period for which those options remain exercisable pursuant to your stock option agreement following your termination.

Please note that, just as you may not tender only a part of an eligible option or tender only some of your option grants, you may also not withdraw your election with respect to only part of an eligible option or only some of your options grants. Accordingly, if you elect to withdraw a previously tendered option represented by a particular grant, you must reject this exchange offer with respect to the entire option represented by that particular grant and with respect to all options.

If you previously elected to exchange eligible options for restricted stock rights by submitting an executed Election Form and you would like to withdraw your election to exchange your eligible option grants, you must notify PDF of your withdrawal. Complete, sign, date and return the Notice of Withdrawal and deliver it to P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, according to the instructions contained in the form so that we receive it before the expiration date deadline.

At any time you may also request a copy of any option exchange program document by contacting the Offering Administrator at tenderoffer@pdf.com.

To submit a printed Notice of Withdrawal, you must send the entire form via electronic delivery, facsimile, regular mail, overnight courier or hand delivery using the following contact information:

Via Electronic Delivery:

Scan the completed and signed Notice of Withdrawal and email it to P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at tenderoffer@pdf.com.

Via Facsimile:

PDF Solutions, Inc., Attn: P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives, at +1 (408) 938-6478.

Via Regular Mail, Overnight Courier or Hand Delivery:

PDF Solutions, Inc., 333 West San Carlos Street, Suite 700, San Jose, California 95110, Attn: P. Steven Melman, Vice President, Investor Relations & Strategic Initiatives.

Your withdrawal from our offer will be effective as of the date PDF receives your Notice of Withdrawal by any of the methods described above. While not a condition to your election, if you submitted your printed Notice of Withdrawal by way of electronic delivery or facsimile, we also ask that you make a copy for your own files and then please submit the original Notice of Withdrawal to P. Steven Melman by any of the methods described above. It is your responsibility to ensure that your withdrawal is received by PDF before the expiration of this offer.

PDF must receive your election to withdraw before 9 *p.m.*, *U.S. Pacific Time*, on July 9, 2008, unless the offer is extended, in which case your Notice of Withdrawal must be received before the extended expiration of the offer.

If you send us a printed Notice of Withdrawal, you may confirm that your document has been received by sending an email to the Offering Administrator at tenderoffer@pdf.com. We intend to confirm receipt of your paper Notice of Withdrawal within three business days of its arrival. If you do not receive confirmation of our receipt, it is your responsibility to ensure that PDF has properly received your Notice of Withdrawal.

If you later decide to make a new election to tender eligible options in this offer, you must submit a new executed Election Form by following the instructions in Section 4. Please see Section 4 for location and contact information you should use to request additional copies of the Election Form or the Notice of Withdrawal. The final change to your elections that you submit to PDF prior to the expiration of the offer will be binding, and you will not be permitted to make any further withdrawals or elections after the offer expires.

You may not rescind any withdrawal, and options you withdraw will thereafter be deemed not properly tendered for purposes of the offer, unless you properly re-tender those options by submitting a new properly completed and executed Election Form before the offer expires.

Neither we nor any other person is obligated to give notice of any defects or irregularities in any Notice of Withdrawal or new Election Form, and no one will be liable for failing to give notice of any defects or irregularities. We will determine, in our discretion, all questions as to the form and validity, including time of receipt, of Notices of Withdrawal and new Election Forms. Our determinations of these matters will be final and binding.

To be timely, your election to withdraw previously tendered options from this offer must be **RECEIVED** by PDF before the offer expires by delivery of a Notice of Withdrawal as described above.

The method of delivery of your Notice of Withdrawal is at your election and risk. Your Notice of Withdrawal will be effective upon receipt by PDF. In all cases, you should allow sufficient time to ensure PDF receives it in time. We intend to confirm our receipt of your submitted election within three business days of receipt. If you do not receive confirmation of our receipt, it is your responsibility to ensure that we have received your election.

Section 6. Acceptance of Options for Exchange and Issuance of Restricted Stock Rights.

Upon the terms and subject to the conditions of this offer and promptly following the expiration date, we expect to accept for exchange all eligible options properly tendered and not validly withdrawn before the expiration of the offer. All options accepted by us pursuant to this offer will be canceled as of the date of acceptance, and you will no longer have any rights under those options. Restricted stock rights will be granted as of the date of our acceptance. If we accept and cancel options properly tendered for exchange after July 9, 2008, or if we extend the date by which we must accept and cancel options properly tendered for exchange, the time in which the restricted stock rights will be granted will be similarly delayed.

We will not accept partial tender of an eligible option grant or a tender of some but not all of an option holder's option grants. However, you may tender the remaining portions of eligible option grants that you have partially exercised.

All restricted stock rights will be granted under our 2001 Plan and will be subject to the terms and conditions of a restricted stock agreement between you and PDF. As promptly as practicable after the grant date, we will deliver to you a restricted stock agreement (in the appropriate form filed as an exhibit to our Tender Offer Statement on Schedule TO but with all the blanks filled in) via the Citigroup Global Markets Inc. website at www.benefitaccess.com. This agreement will be effective from and as of the grant date, provided that you must accept the agreement by December 31, 2008, otherwise you will forfeit the agreement and all of the restricted stock rights.

If you are not an eligible individual at PDF or one of our subsidiaries on the expiration date, your election to exchange your options will automatically be deemed to have been withdrawn as of the date of your termination of service and our offer will not affect the terms of your existing options.

It is possible that, prior to the cancellation of options tendered for exchange and the grant of restricted stock rights, we might effect or enter into an agreement for a merger or other similar transaction in which PDF is acquired by another company. If there is a sale of all or substantially all of our assets or stock, or we merge with another company, before the expiration of the offer, you may withdraw your tendered options and have all the rights afforded you to acquire our common stock under the existing agreements evidencing those options. Further, if we are acquired prior to the expiration date, we reserve the right to withdraw the offer, in which case your options and your rights under them will remain intact subject to all of their terms and conditions.

If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.

Section 7. Conditions of the Offer.

Subject to the rules of the U.S. Securities and Exchange Commission and notwithstanding any other provision of the offer, we will not be required to accept for exchange any options and may terminate or amend the offer or postpone the acceptance of any options, if at any time on or after commencement of the offer and before the expiration date of the offer any of the following events shall have occurred (or shall have been determined by us to have occurred) that in our judgment makes it inadvisable to proceed with the offer or with acceptance for exchange:

- there has been instituted or is pending any action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that challenges the making of the offer, the acquisition of some or all of the tendered options pursuant to the offer, or the issuance of restricted stock rights in exchange for options; or that, in our reasonable judgment, would materially and adversely affect the business, condition (financial or other), income, operations or prospects of us and our subsidiaries, or otherwise materially impair in any way the contemplated future conduct of our business or the business of any of our subsidiaries or materially impair (such as by increasing the accounting or other costs of the offer to us) the contemplated benefits of the offer to us described in Section 3 above;
- there has been any action pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the offer or us or any of our subsidiaries, by any court or any authority, agency or tribunal that, in our reasonable judgment, would:
 - make the acceptance for exchange of, or the issuance of restricted stock rights for, some or all of the options illegal or otherwise restrict or prohibit consummation of the offer;
 - delay or restrict our ability, or render us unable, to accept for exchange, or issue restricted stock rights for, some or all of the tendered options;
 - materially impair (such as by increasing the accounting or other costs of the offer to us) the contemplated benefits of the offer to us described in Section 3 above; or
 - materially and adversely affect the business, condition (financial or other), income, operations or prospects of us and our subsidiaries, taken as whole, or otherwise materially impair in any way the contemplated future conduct of our business or the business of any of our subsidiaries;
- there has occurred:
 - any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market;
 - the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory);
 - the commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States, which could reasonably be expected to affect materially or adversely, or to delay materially, the completion of this offer;
 - any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event that, in our reasonable judgment, would affect the extension of credit by banks or other lending institutions in the United States;
 - any significant and adverse change in the market price of our shares of common stock or any change in the general political, market, economic or financial conditions in the United States or abroad that would, in our reasonable judgment, have a material and adverse effect on our business, condition (financial or other), operations or prospects or on the trading in our common stock;
 - any change in the general political, market, economic or financial conditions in the United States or abroad that would have, in our reasonable judgment, a material and adverse effect on our business, condition (financial or other), operations or prospects or that of our subsidiaries or that, in our reasonable judgment, makes it inadvisable to proceed with this offer;

- in the case of any of the foregoing existing at the time of the commencement of the offer, a material acceleration or worsening thereof;
- any decline in either the Dow Jones Industrial Average or the Standard & Poor's Index of 500 Companies by an amount in excess of 10% measured from the close of business on June 10, 2008; or
- any change in generally accepted accounting principles or interpretations of generally accepted accounting principles which would, in our reasonable judgment, materially and adversely affect the manner in which we are required for financial accounting purposes to account for the offer;
- a tender or offer with respect to some or all of our common stock, or a merger or acquisition proposal for us, has been proposed, announced or made by another person or entity or has been publicly disclosed, or we have learned that:
 - any person, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act) shall have acquired or proposed to acquire beneficial ownership of more than 5% of the outstanding shares of our common stock, or any new group has been formed that beneficially owns more than 5% of the outstanding shares of our common stock (other than any such person, entity or group who has filed a Schedule 13D or Schedule 13G with the U.S. Securities and Exchange Commission on or before the expiration date of the offer);
 - any person, entity or group who has filed a Schedule 13D or Schedule 13G with the U.S. Securities and Exchange Commission on or before the expiration date of the offer has acquired or proposed to acquire beneficial ownership of an additional 2% or more of the outstanding shares of our common stock; or
 - any person, entity or group has filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or made a public announcement reflecting an intent to acquire us or any of our subsidiaries or any of their respective assets or securities;
- any change or changes shall have occurred in our business, condition (financial or other), assets, income, operations, prospects or stock ownership or that of our subsidiaries that, in our reasonable judgment, has or would have a material adverse effect on us and our subsidiaries, taken as a whole;
- the average closing price of our common stock, as reported on the NASDAQ Global Market, for the five business days prior to the date of expiration of this offer is \$10.00 or more.

The conditions to the offer are for our benefit. We may assert them at our discretion prior to the expiration date. We may waive them, in whole or in part, at any time and from time to time prior to the expiration date, in our discretion, whether or not we waive any other conditions to the offer. Our failure at any time to exercise any of these rights will not be deemed a waiver of such rights, but will be deemed a waiver of our ability to assert the condition that was triggered with respect to the particular circumstances under which we failed to exercise our rights. The waiver of any of these rights with respect to particular facts and circumstances will not be deemed to be a waiver with respect to any other facts and circumstances. Any determination or judgment we make concerning the events described in this section will be final and binding upon all persons.

Section 8. Price Range of Our Common Stock.

Our common stock is quoted on the NASDAQ Global Market under the trading symbol "PDFS". The following table sets forth, for the periods indicated, the high and low closing sales prices per share of our common stock as reported by the NASDAQ Global Market.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended December 31, 2005		
First Quarter	\$ 16.15	\$ 13.25
Second Quarter	\$ 13.90	\$ 11.41
Third Quarter	\$ 17.76	\$ 13.15
Fourth Quarter	\$ 17.33	\$ 14.48
Fiscal Year Ended December 31, 2006		
First Quarter	\$ 19.85	\$ 16.50
Second Quarter	\$ 19.36	\$ 11.00
Third Quarter	\$ 13.35	\$ 9.50
Fourth Quarter	\$ 15.70	\$ 10.79
Fiscal Year Ended December 31, 2007		
First Quarter	\$ 14.82	\$ 10.00
Second Quarter	\$ 12.16	\$ 9.87
Third Quarter	\$ 12.49	\$ 9.36
Fourth Quarter	\$ 10.22	\$ 7.21
Fiscal Year Ended December 31, 2008		
First Quarter	\$ 9.40	\$ 4.56
Second Quarter (through June 5, 2008)	\$ 6.09	\$ 3.86

On June 5, 2008, the closing price per common share as reported by the NASDAQ Global Market was \$6.05.

Our stock price has been, and in the future may be, highly volatile. The trading price of our common stock has fluctuated widely in the past and is expected to continue to do so in the future, as a result of a number of factors, some of which are outside our control. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market prices of many companies, and that have often been unrelated or disproportionate to the operating performance of these companies.

We recommend that you obtain the current market price of our common shares before deciding whether to elect to exchange your options.

Section 9. Source and Amount of Consideration; Terms of Restricted Stock Rights.

Consideration.

The number of whole restricted stock rights to be granted in exchange for each eligible option grant will be determined based upon an exchange ratio of 4.2 option shares to 1 restricted stock right. Each eligible individual will receive in an Election Form identifying the options held by the individual which have exercise prices equal to or greater than \$10.00 and therefore are eligible for exchange.

We will not issue any fractional restricted stock rights. Accordingly, any exchange that would result in a fractional right under the exchange ratio will be rounded up to the next whole number of restricted stock rights.

As of June 5, 2008, options to purchase approximately 7,795,617 shares of our common stock were outstanding under our equity compensation plans. Of these, options held by eligible individuals to purchase approximately 4,551,711 shares of our common stock have exercise prices equal to or greater than \$10.00 per share, and are thus potentially eligible to participate in this offer. The number of shares subject to options having exercise prices equal to or greater than \$10.00 per share equal approximately 17% of the total number of shares of our common stock issued and outstanding as of June 5, 2008. If we receive and accept for exchange all such outstanding options having exercise prices equal to or greater than \$10.00 per share, we will issue approximately 1,084,069 restricted stock rights, representing a number of shares equal to less than 4% of total number of shares of our common stock issued and outstanding as of June 5, 2008.

Since certain options eligible for the exchange were granted under the Company's 1997 Stock Plan and 2001 Stock Option/Stock Issuance Plan, every share subject to an award canceled in the option exchange program will not be returned back to the 2001 Plan. Instead, only shares subject to the options originally granted under the 2001 Plan that are canceled pursuant to the option exchange program will be returned to the 2001 Plan to be available for issuance pursuant to future awards.

Terms of the Restricted Stock Rights.

The restricted stock rights issued pursuant to this offer will be issued under the 2001 Plan. For each restricted stock right granted in the offer, we and the participant will enter into a restricted stock agreement, which we will deliver to each recipient via the Citigroup Global Markets Inc. website at www.benefitaccess.com as promptly as practicable after the grant date. The terms and conditions of the restricted stock rights will vary from the terms and conditions of the options tendered for exchange. You must accept the restricted stock agreement by December 31, 2008 to be entitled to your restricted stock rights. If you do not accept the restricted stock agreement by December 31, 2008, you will forfeit the agreement and all of the restricted stock rights. This agreement will be effective from and as of the grant date. The following description of the restricted stock rights to be granted under the 2001 Plan is a summary of the material terms of these awards.

Important Note: The description below of the 2001 Plan and the restricted stock rights to be granted in this offer is merely a summary and does not purport to be complete. Any statements are subject to, and are qualified in their entirety by reference to, all provisions of the 2001 Plan and the applicable form of restricted stock agreement evidencing the restricted stock rights. These documents have been included as exhibits to our Tender Offer Statement on Schedule TO filed with the U.S. Securities and Exchange Commission (to which this document is also an exhibit).

In addition, please note that your restricted stock agreement will contain additional provisions regarding data privacy, responsibility for taxes, and an acknowledgment and waiver with respect to the nature of the offer.

- **General.** The 2001 Plan was adopted by our Board of Directors on June 12, 2001 and approved by our stockholders on July 6, 2001. As of June 5, 2008, there were approximately 2,020,392 shares of our common stock available for grant under the 2001 Plan. This number will be increased by up to approximately 4,279,494 shares subject to eligible options canceled in this offer, less the number of shares subject to restricted stock rights granted in the exchange program. The 2001 Plan permits an appointed committee (the "Committee") of our Board of Directors to grant awards of stock options and restricted stock rights.

- **Purpose.** The purpose of the 2001 Plan is to advance the interests of PDF and its stockholders by providing an incentive to attract, retain and motivate persons whose present and potential contributions are important to the success of PDF.
- **Administration.** The 2001 Plan is generally administered by the Compensation Committee of our Board of Directors. Subject to the provisions of the 2001 Plan, the Compensation Committee selects the individuals eligible to be granted awards under the 2001 Plan, the types of awards granted, the time(s) at which awards may be granted, the number of shares subject to each award and all of the terms and conditions of each award. The Compensation Committee has the authority to interpret the 2001 Plan and to make all other determinations relating to the 2001 Plan.
- **Nature of Restricted Stock Rights.** Each restricted stock right is a right to receive a share of our common stock at a time specified in the applicable award agreement. You should be aware that restricted stock rights are merely bookkeeping entries, so that no actual shares of our common stock are issued when the restricted stock rights are granted. Under the terms of the restricted stock rights to be issued in this offer, shares of our common stock will be issued when the corresponding restricted stock rights vest, if at all. Between the date on which restricted stock rights are granted and the date on which restricted stock rights vest, the value of the award will fluctuate based on the market price of our common stock. However, you will have no rights as a PDF stockholder by virtue of having been granted a restricted stock right until actual shares of our common stock are issued to you upon vesting of the restricted stock right. No monetary payment (other than applicable tax withholding, if any) will be required as a condition of being granted a restricted stock right or being issued shares of our common stock upon vesting of the restricted stock rights.
- **Vesting.** Restricted stock rights received in exchange for eligible options will be subject to a new vesting schedule which will generally provide that the restricted stock rights will be unvested on the date of the exchange and will require a minimum period of at least approximately sixteen months of service after the date of the exchange to fully vest, even if the exchanged options were fully vested on the date of the exchange. The length of the vesting schedule for each restricted stock right will depend on when your stock options you exchange were granted to you. If your service with us terminates before all of your restricted stock rights have vested, you will generally forfeit any restricted stock rights that remain unvested at that time.

The vesting schedules for restricted stock rights granted to participants in all countries will be the same.

Vesting Applicable to Restricted Stock Rights

Year During Which Exchanged Options Were Granted	Vesting Schedule of Restricted Stock Right
2000 - 2003	50% on 5/15/2009 and 50% 6-months thereafter
2004	25% on 5/15/2009 and 25% every 6-months thereafter
2005	16.7% on 5/15/2009 and 16.66% every 6-months thereafter
2006 and after	12.5% on 5/15/2009 and 12.5% every 6-months thereafter

Only a whole number of restricted stock rights will vest in any period. Any fractional restricted stock right that would otherwise vest will be carried over to the next vesting period.

If you are a participant in the offer to exchange, and we are acquired by another company after we accept and cancel your tendered options and grant you restricted stock rights, any unvested restricted stock rights will immediately vest and any shares received pursuant to vested restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.

- **Delivery of Common Shares.** Upon vesting, restricted stock rights will be settled, on a one-to-one basis, by issuance of shares of our common stock to the participant, subject to our right to withhold from or arrange for the sale of shares that would otherwise be released to you a number of whole shares necessary to satisfy any required withholding.

- **Termination of Service.** In the event a participant in the offer ceases to be a service provider to PDF or any of our subsidiaries at any time prior to the vesting of the participant's restricted stock rights, all of such participant's restricted stock rights which are unvested at the time of termination of service generally will be forfeited to PDF and canceled.
- **Transfer Restrictions.** Until they have vested and have been settled in shares of our common stock, your restricted stock rights may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, other than by will or the laws of descent and distribution.
- **Voting and Dividend Rights.** You will have no voting rights and no rights to receive any dividends paid with respect to shares of our common stock prior to the date on which the shares underlying your restricted stock rights are issued to you in settlement of your award.
- **Adjustments Upon Certain Events.** Subject to any required action by our stockholders, in the event of a subdivision of the outstanding shares, a declaration of a dividend payable in shares, a declaration of a dividend payable in a form other than shares in an amount that has a material effect on the price of shares, a combination or consolidation of the outstanding shares (by reclassification or otherwise) into a lesser number of shares, a recapitalization, reorganization, merger, liquidation, spin-off or a similar occurrence, proportionate adjustments will be made in the number of shares subject to restricted stock rights, as determined by the 2001 Plan administrator.
- **Effect of a Change in Control of PDF.** In the event of a change in control of PDF, your unvested restricted stock rights will immediately vest and any shares of common stock that were issued to you as a result of vesting of your restricted stock rights would be treated in the same manner as all other shares of PDF common stock outstanding at the time of the merger or acquisition transaction.
- **Amendment or Termination of the 2001 Plan.** The Board of Directors has the authority to amend or terminate the 2001 Plan at any time.
- **Registration of Shares.** The shares of PDF common stock that may be issued pursuant to any restricted stock rights granted in connection with the exchange have been registered under the Securities Act of 1933 on a registration statement on Form S-8 filed with the U.S. Securities and Exchange Commission. Unless you are considered an "affiliate" of PDF, you will generally be able to sell the vested shares you receive pursuant to your restricted stock rights free of any transfer restrictions under applicable United States securities laws.
- **Tax Consequences.** If you are a U.S. tax resident, you should refer to Section 14 for a discussion of the material U.S. federal income tax consequences of the acquisition of restricted stock rights under this offer and the issuance of shares upon vesting of such restricted stock rights. If you are resident outside the United States, you should refer to Section 15 and Appendix B to this offer to exchange for a discussion of income and social insurance tax consequences for individuals in certain countries of the acquisition, holding and vesting of restricted stock rights, as well as the consequences of accepting such awards under this offer. We recommend that you consult with your own tax advisor to determine the income and social insurance tax consequences of this transaction under the laws of the country in which you live and work.

Section 10. Information Concerning PDF Solutions, Inc.

General. PDF Solutions, Inc. is incorporated in the State of Delaware. Our principal executive offices are located at 333 West San Carlos Street, Suite 700, San Jose, CA 95110, USA, and our telephone number at that address is +1 (408) 280-7900.

PDF incorporated in 1992 and is a leading provider of infrastructure technologies and services to improve yield and optimize performance of integrated circuits. Our technologies and services enable semiconductor companies to improve profitability across the entire "process lifecycle," which is the term we have coined for the time from the design of an integrated circuit ("IC") through volume manufacturing of that IC. Our solutions enable this by improving our customer's time-to-market, increasing yield, and reducing total design and manufacturing costs. Our solutions combine proprietary

software, physical intellectual property in the form of cell libraries for IC designs, test chips, an electrical wafer test system, proven methodologies, and professional services. We analyze yield loss mechanisms to identify, quantify, and correct the issues that cause yield loss. Our analysis drives IC design and manufacturing improvements to enable our customers to optimize the technology development process, to increase the initial yield when an IC design first enters a manufacturing line, to increase the rate at which yield improves, and to minimize excursions and process variability that cause yield loss throughout mass production. The result of successfully implementing our solutions is the creation of value that can be measured based on improvements to our customers' actual yield. Through our gainshare performance incentives component, we have aligned our financial interests with the yield and performance improvements realized by our customers, and we receive revenue based on this value. Our technologies and services have been sold to leading integrated device manufacturers, fabless semiconductor companies, and foundries.

In the ordinary course of business, we regularly engage in, evaluate, and expect to continue to engage in and evaluate, a wide array of potential strategic transactions, including (i) acquisitions of companies, businesses, intellectual properties, and other assets, and (ii) investments in new businesses. Subject to the foregoing, and except as otherwise disclosed in this offer to exchange or in our filings with the U.S. Securities and Exchange Commission, we presently have no plans or proposals and are not engaged in negotiations that relate to or are currently likely to result in:

- a material extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving us or any of our subsidiaries;
- any purchase, sale or transfer of a material amount of our assets or the assets of any of our subsidiaries;
- any material change in our present dividend rate or policy, our indebtedness or capitalization;
- any change in our present Board of Directors or management, including a change in the number or term of directors or to fill any existing board vacancies or to change any executive officer's material terms of employment;
- any other material change in our corporate structure or business;
- our common shares being delisted from the NASDAQ Global Market;
- our common shares becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934;
- the suspension of our obligation to file reports pursuant to Section 15(d) of the Securities Exchange Act of 1934;
- the acquisition by any person of any of our securities or the disposition of any of our securities; or
- any change in our certificate of incorporation or bylaws, or any actions which may impede the acquisition of control of us by any person.

We cannot assure you that we will not plan, propose or engage in negotiations with respect to the above noted matters during or after the expiration of our offer.

Certain Financial Information. Set forth below is a summary of our financial information. This information is derived from and qualified by reference to our publicly available consolidated financial statements and should be read in conjunction with the financial statements, related notes and other financial information included in Item 15(a)(1) on pages F-1 through F-30 of PDF's Annual Report on Form 10-K, for its fiscal year ended December 31, 2007, and Item 1 on pages 3 through 6 of PDF's Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, which are incorporated herein by reference. See Section 18.

CONDENSED CONSOLIDATED FINANCIAL DATA

(In thousands) BALANCE SHEET DATA	Year Ended December 31,		
	2007(a)	2006(a)	March 31, 2008
Current assets	\$ 88,820	\$ 85,805	\$ 87,192
Non-current assets	90,531	83,052	92,858
Total assets	179,351	168,857	180,050
Current liabilities	16,364	19,219	16,345
Non-current liabilities	6,517	1,419	6,944
Total liabilities	22,881	20,638	23,289
Total stockholders' equity	156,470	148,219	156,761

(a) Derived from audited financial statements.

(In thousands, except per share data) STATEMENTS OF OPERATIONS DATA	Year Ended December 31,		Three months ended March 31,	
	2007(a)	2006(a)	2008	2007
Net revenue	\$94,463	\$76,184	\$20,347	22,142
Gross Profit	56,845	43,287	11,950	12,800
Operating loss	(7,542)	(6,399)	(3,619)	(2,427)
Loss before benefit from income taxes	(5,651)	(3,572)	(3,130)	(1,931)
Net loss	\$ (2,927)	\$ (439)	\$ (2,513)	(2,355)
Net loss per share:				
Basic and diluted	\$ (0.10)	\$ (0.02)	\$ (0.09)	(0.08)
Number of shares used in computation:				
Basic and diluted	28,066	26,885	27,840	27,980

(a) Derived from audited financial statements.

PDF's book value per share as of March 31, 2008 was \$5.65. Book value per share is the value of our total stockholders' equity divided by the number of our issued and outstanding common shares, which as of March 31, 2008 amounted to 27,743,000 shares. Since PDF had no earnings, the ratio of earnings to fixed charges was not applicable for the years ended December 31, 2007 and December 31, 2006 or the three months ended March 31, 2008 and March 31, 2007.

For information regarding the accounting consequences of our offer, see Section 12.

Section 11. Interests of Directors and Officers; Transactions and Arrangements Concerning the Options.

Members of our Board of Directors (including non-employee and employee members of our Board of Directors) and all other employees (including officers of the Company) and consultants are eligible to participate in the offer if they hold eligible options.

A list of our directors and executive officers are attached to this offer to exchange as Appendix A, which is incorporated by reference herein. For information with respect to the beneficial ownership of our common stock by those directors and executive officers who were beneficial owners of our common stock as of December 31, 2007, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our definitive proxy statement on Schedule 14A filed with the U.S. Securities and Exchange Commission on April 22, 2008, which is incorporated by reference into our Form 10-K.

Other than as described below and other than transactions in our securities in the ordinary course under our stock incentive plans with persons who are neither executive officers nor directors of PDF, neither PDF or its subsidiaries nor, to the best of our knowledge, our executive officers, directors or affiliates have effected transactions in options to purchase PDF common stock or in shares of PDF common stock during the 60 days prior to June 10, 2008.

Except as described in this offer to exchange and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and other than outstanding options and other awards granted from time to time to certain of our employees (including executive officers) and our directors under our compensation and incentive plans, neither we nor any person controlling us nor, to our knowledge, any of our directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to the offer with respect to any of our securities (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations).

Section 12. Status of Options Accepted by Us in the Offer; Accounting Consequences of the Offer.

Options that we acquire and cancel through the offer that were originally granted under the 2001 Plan will be used for the issuance of the restricted stock rights granted under the option exchange program, and up to approximately an additional 3,195,425 of the shares subject to those canceled options will be returned to the pool of shares available for future issuance under the 2001 Plan. Any shares in excess of the foregoing will not be returned to the 2001 Plan.

The Company accounts for stock-based compensation in accordance with Financial Accounting Standards Board's Statement of Financial Accounting Standard No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), on accounting for share-based payments; which requires recognition of expense for both stock option grants and restricted stock rights based on their estimated fair value as of the date of grant. Under SFAS No. 123R, to the extent the fair value of each award of restricted stock rights granted to participants exceeds the fair value of the stock options surrendered, such excess is considered additional compensation. This excess, in addition to any remaining unrecognized expense for the stock options surrendered in exchange for the restricted stock rights, will be recognized by PDF as an expense for compensation. This expense will be recognized ratably over the vesting period of the restricted stock rights in accordance with the requirements of SFAS No. 123R. In the event that any of the restricted stock rights are forfeited prior to their vesting due to termination of service, the expense for the forfeited restricted stock rights will be reversed and will not be recognized.

Section 13. Legal Matters; Regulatory Approvals.

We are not aware of any license or regulatory permit that appears to be material to our business that might be adversely affected by the offer, or of any approval or other action by any government or regulatory authority or agency that is required for the acquisition or ownership of the options or restricted stock rights as described in the offer. If any other approval or action should be required, we presently intend to seek that approval or take that action. This could require us to delay the acceptance of options returned to us. We cannot assure you that we would be able to obtain any required approval or take any other required action. Our failure to obtain any required approval or take any required action might result in harm to our business. Our obligation under the offer to accept exchanged options and to issue restricted stock rights is subject to the conditions described in Section 7.

Section 14. Material U.S. Federal Income Tax Consequences.

The following is a description of the material U.S. federal income tax consequences of the offer. This discussion is based on the Internal Revenue Code of 1986, as amended (which we refer to in this Section as the "Code"), its legislative history, Treasury Regulations thereunder and administrative and judicial interpretations thereof, as of the date hereof. We have not obtained a tax ruling or other confirmation from the U.S. Internal Revenue Service (which, we refer to as the "IRS") with regard to this information, and it is possible that the IRS may take a different position. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible individuals. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock award is granted or the restricted stock award vests.

If you are living or working in the United States, but are also subject to the tax laws in another country, you should be aware that there may be other income and social insurance tax consequences which may apply to you. We recommend that you consult your own tax advisor to discuss the consequences to you of participating in the offer.

We recommend that you consult your own tax advisor with respect to the consequences of participating in the offer under state, local and non-U.S. tax laws, as well as tax consequences arising from your particular personal circumstances.

Option Exchange and Grant of Restricted Stock Rights. We believe that you will not be subject to current U.S. federal income taxation if you elect to keep your eligible options. We do not believe that there will be any immediate U.S. federal income tax consequences of receiving restricted stock rights in exchange for your eligible options if you are subject to U.S. income taxation.

Issuance of Shares Upon Vesting of Restricted Stock Rights. You will recognize ordinary income when you receive shares upon vesting of restricted stock rights. The amount of such income will be equal to the fair market value of those shares on the date of vesting. We will determine the fair market value of the shares based on the closing price of our common stock as reported on the NASDAQ Global Market on the applicable vesting date, or if not reported on such date, on the last day such closing price was reported. Generally, we will be entitled to a tax deduction equal to any amount recognized as ordinary income by you with respect to the shares issued to you upon vesting of restricted stock rights.

Subsequent Sale of Shares. Your tax basis in the shares issued to you pursuant to restricted stock rights will be equal to the fair market value on the date of vesting (that is, equal to the amount of ordinary income you recognize), and the capital gain holding period will commence upon the day following the vesting date. Your subsequent disposition of the shares will ordinarily result in a capital gain or loss in an amount equal to the difference between the amount you realize on the disposition and your tax basis in the shares that are disposed. If you dispose of shares after you have held the shares for more than one year, such capital gain or loss will be long-term capital gain or loss. Long-term capital gains recognized by individuals are subject to a more favorable rate of tax (currently, a maximum rate of 15%) than ordinary income. There are limitations imposed on the ability of individuals to deduct capital losses against their ordinary income.

Tax Withholding. At the time you recognize ordinary income, if you are employee, we will have an income and employment tax (e.g., FICA) withholding obligation with respect to that income, much like the obligation that arises when we pay you your salary or a bonus. This ordinary income resulting from the vesting of your restricted stock will be reflected on your year-end Form W-2 reported to the Internal Revenue Service. The income tax withholding may be insufficient to cover your final income tax liability with respect to the shares issued to you. You should consult with your own tax advisor to determine whether you should make estimated tax payments for the year in which you recognize ordinary income pursuant to your restricted stock rights. Generally, non-employee directors and consultants will not be subject to such withholding, but may be required to pay quarterly estimated taxes.

As your restricted stock rights vest over time and you are issued shares pursuant to your restricted stock rights, you will automatically participate in one or more block trades, through Citigroup Global Markets Inc., of a portion of your shares to obtain sufficient proceeds to satisfy the withholding tax liability. Out of the proceeds of the sale of withheld shares, Citigroup Global Markets Inc. will remit to us the proceeds (note that the full amount of the proceeds will be applied to satisfy any applicable tax, withholding or other liability, even if it may exceed the minimum amount required to satisfy such tax, withholding or other liability). Any sale of your shares must be made in compliance with securities laws restrictions and our insider trading policies including our pre-clearance requirements.

Promptly after each vesting date, Citigroup Global Markets Inc. will group a portion of your shares as part of one or more block trades and sell enough shares to cover the amount of withholding taxes on your shares. Citigroup Global Markets Inc. will charge a trade commission for this sale, which Citigroup Global Markets Inc. will deduct from the proceeds of the sale of the shares. Your sale price per share for your shares will be the weighted average sale price for all of the shares of all holders that Citigroup Global Markets Inc. sells in all of the block trades. The amount of withholding taxes you owe will depend on the last sale price of our common stock as reported on the NASDAQ Global Market on the vesting date. However, the block trades will not occur until one or more trading days after your vesting date, and it may take several trading days to sell sufficient shares to cover all withholding taxes on the shares. The trading price of our common stock may decline during that period. You may therefore have to sell shares at lower prices to cover taxes set on the basis of a higher market price. This would increase the number of shares that you would need to sell in order to cover the withholding taxes on your shares. You will bear the full risk of changes in the trading price of our stock. This risk may affect your ability to cover your tax obligations on the shares. We and Citigroup Global Markets Inc. will attempt to estimate the correct number of shares to sell to cover withholding taxes based on the price of our common stock. But it is possible that the proceeds from the sale will be either too much or too little to pay the withholding taxes. If there are

insufficient proceeds to cover the withholding taxes on your shares, then we reserve the right to deduct the necessary amount from your next paycheck unless you deliver to us a check for the balance of the taxes due. If there are excess proceeds, they will be applied to any applicable tax, withholding or other liability that you have with respect to the shares. If there is not a market in our common stock, we will have the right to make other arrangements to satisfy the withholding tax obligations.

If you are subject to U.S. income tax and participate in the block trades to cover the withholding taxes on your shares, or if you otherwise plan to sell any of your shares, you should be aware of the “wash sale” provisions of Section 1091 of the Internal Revenue Code. Under those provisions, a loss from the sale of stock is not deductible for income tax purposes if the taxpayer acquires other shares of the same stock within 30 days before or after the sale. If this loss of tax deductibility occurs, the tax rules provide for an adjustment in the tax basis of your other acquired stock to reflect the amount of the non-deductible loss. An acquisition of shares of our common stock under our 2001 Employee Stock Purchase Plan is an acquisition of other shares of the same stock for purposes of the wash sale provisions.

If your service with us is terminated for any reason after you have received shares of common stock but before you have satisfied your income and employment withholding tax obligation, you will authorize us to instruct Citigroup Global Markets Inc. to sell on your behalf a number of shares sufficient to satisfy your income and employment tax obligation, and we will deduct the entire amount of any remaining tax obligation from your final paycheck.

Section 15. Considerations Specific to Eligible Individuals Outside of the United States.

If you are eligible to participate in the offer and reside outside of the United States, you are subject to the terms of the offer as described in this offer to exchange and you should refer to Appendix B of this offer to exchange (“Guide to International Issues”) for a discussion of the tax, social insurance and other legal consequences of accepting or rejecting the offer under various foreign laws.

If you are a tax resident or citizen of a foreign jurisdiction or are otherwise subject to a tax liability in a foreign jurisdiction and you participate in this offer, you may be liable for income and social insurance tax in connection with the grant of restricted stock rights to you. Subject to any modification required to comply with local law, we expect to satisfy any applicable tax, withholding or other obligations with respect to our international participants by using the procedures described under “Tax Withholding” in Section 14 above. In addition, you may have exchange control reporting obligations.

The Guide to International Issues found in Appendix B of this offer to exchange is general in nature and is not complete and may not apply to your specific circumstances. In addition, tax consequences change frequently and occasionally on a retroactive basis. We therefore recommend you consult with your personal tax advisor in your own country about the effect on your personal tax situation if you choose to participate in the offer.

If you are eligible for the offer and you live or work in one country but are also subject to the tax laws in another country, you should be aware that there may be other income and social insurance tax consequences which may apply to you. We recommend you consult your own tax advisor to discuss these consequences.

Before accepting the offer, we recommend that you consult with your own tax advisor to determine the income and social contribution tax consequences of participating in the offer.

Section 16. Extension of Offer; Termination; Amendment.

We expressly reserve the right, in our discretion, at any time and from time to time, and regardless of whether or not any event set forth in Section 7 (“Conditions of the Offer”) of Part III of this document has occurred or is deemed by us to have occurred, to extend the period of time during which the offer is open and thereby delay the acceptance for exchange of any options by giving oral, written or electronic notice of such extension to the option holders or making a public announcement thereof.

We also expressly reserve the right, in our reasonable judgment, prior to the expiration date of the offer to terminate or amend the offer and postpone our acceptance and cancellation of any options that you elect to exchange upon the occurrence of any of the conditions specified in Section 7 of this document by giving oral, written or electronic notice of such termination or postponement to you or by making a public announcement thereof. Notwithstanding the foregoing, we will pay the consideration offered or return the options elected for exchange promptly after termination or withdrawal of the offer to exchange.

Subject to compliance with applicable law, we further reserve the right, in our discretion, and regardless of whether any event set forth in Section 7 has occurred or is deemed by us to have occurred, to amend the offer in any respect.

Amendments to the offer may be made at any time and from time to time. In the case of an extension, the amendment will be issued no later than 6 a.m., U.S. Pacific Time, on the next business day after the last previously scheduled or announced expiration date. Any amendment of the offer will be disseminated promptly in a manner reasonably designed to inform option holders of the change. Without limiting the manner in which we may choose to disseminate any amendment of this offer, except as required by law, we have no obligation to publish, advertise, or otherwise communicate any dissemination.

If we materially change the terms of the offer or the information concerning the offer, or if we waive a material condition of the offer, we will extend the offer. Except for a change in the amount of consideration or change in percentage of securities sought, the amount of time by which we will extend the offer following a material change in the terms of the offer or information concerning the offer will depend on the facts and circumstances, including the relative materiality of the information. If we decide to take any of the following actions, we will notify you and extend the expiration date to the tenth business day after the date of the notice (unless the expiration date as originally scheduled is already on or after the tenth business day):

- we increase or decrease the per share exchange value of the options (*i.e.*, increase or decrease what we will give you in exchange for your options);
- we change the type of options eligible to be tendered for exchange in the offer; or
- we increase the number of options eligible to be tendered for exchange in the offer such that the common shares underlying the increased options exceed 2% of the common shares issuable upon exercise of the options that are subject to the offer immediately prior to the increase.

A “*business day*” means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern Time.

Section 17. Fees and Expenses.

We will not pay any fees or commissions to any broker, dealer or other person for asking option holders to exchange options under this offer.

Section 18. Additional Information.

With respect to the offer, we have filed with the U.S. Securities and Exchange Commission (the “Commission”) a Tender Offer Statement on Schedule TO, of which this offer to exchange is a part. This offer to exchange does not contain all of the information contained in the Schedule TO and the exhibits to the Schedule TO. We recommend that, in addition to this offer to exchange, the Election Form and the Notice of Withdrawal, you review the Schedule TO, including its exhibits, before deciding whether or not to exchange your options. We are subject to the informational filing requirements of the Securities Exchange Act of 1934 and, in accordance with that act, are obligated to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission relating to our business, financial condition and other matters. Such reports, proxy statements and other information include the following, which are incorporated herein by reference:

- our Annual Report on Form 10-K for our fiscal year ended December 31, 2007, filed with the Commission on March 17, 2008;
- our definitive proxy statement for our 2008 annual meeting of stockholders, filed with the Commission on April 22, 2008;
- our Quarterly Report on Form 10-Q for the period ended March 31, 2008, filed with the Commission on May 12, 2008; and
- the description of our common stock contained in the PDF’s Registration Statement on Form 8-A, together with any other amendments or reports filed for the purpose of updating such description;

and any amendment or report filed for the purpose of updating such descriptions may be examined, and copies may be obtained, at the U.S. Securities and Exchange Commission’s public reference room in Washington, D.C. You may obtain information on the operation of the public reference room by calling the U.S. Securities and Exchange Commission at 1-800-732-0330. Our filings are also available to the public on the U.S. Securities and Exchange Commission’s Internet site at <http://www.sec.gov> and our website at <http://www.pdf.com>.

Our common stock is quoted on the NASDAQ Global Market under the symbol “PDFS”, and our filings with the Commission can also be read at the offices of the NASDAQ Global Market.

We will also provide without charge to each person to whom a copy of this offer to exchange is delivered, upon the written or oral request of any such person, a copy of any or all of the documents to which we have referred you, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). You may request by writing to PDF Solutions, Inc., Attn: Offering Administrator, 333 West San Carlos Street, Suite 700 San Jose, CA 95110, USA, or emailing at tenderoffer@pdf.com.

As you read the documents listed in this Section 18, you may find some inconsistencies in information from one document to another. Should you find inconsistencies between the documents, or between a document and this offer to exchange, you should rely on the statements made in the most recent document.

The information contained in this offer to exchange about PDF should be read together with the information contained in the documents to which we have referred you.

Section 19. Miscellaneous.

We are not aware of any jurisdiction where the making of the offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the offer is not in compliance with any valid applicable law, we will make a good faith effort to comply with such law. If, after such good faith effort, we cannot comply with such law, the offer will not be made to, nor will options be accepted from the option holders residing in such jurisdiction.

We have not authorized any person to make any recommendation on our behalf as to whether you should elect to accept this offer with respect to your options. You should rely only on the information in this document or documents to which we have referred you. We have not authorized anyone to give you any information or to make any representations in connection with the offer other than the information and representations contained in this Offer to Exchange Restricted Stock for Outstanding Stock Options and in the related offer documents. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by PDF.

Section 20. Forward-Looking Statements.

Our reports filed with the Commission referred to above contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Any statement concerning future financial performance (including future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by us or our subsidiaries, which may be provided by us are forward-looking statements. The words “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative effect of terms like these or other similar expressions are also used to identify forward-looking statements. These forward-looking statements are only predictions. Forward-looking statements are based on current expectations, and projections about future events and are inherently subject to a variety of risks and uncertainties discussed in PDF’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2008, many of which are beyond our control, which could cause actual results to differ materially from those anticipated or projected.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

June 10, 2008

PDF Solutions, Inc.

APPENDIX A
INFORMATION ABOUT THE DIRECTORS AND EXECUTIVE OFFICERS
OF
PDF SOLUTIONS, INC.

The directors and executive officers of PDF Solutions, Inc., their positions and offices held as of June 10, 2008 are set forth in the following table:

Name	Positions and Offices Held
<i>Directors:</i>	
Susan H. Billat	Director
Thomas Caulfield	Director
R. Stephen Heinrichs	Director
Lucio L. Lanza	Director
Albert Y. C. Yu	Director
John K. Kibarian	Director
Kimon W. Michaels	Director
<i>Executive Officers:</i>	
John K. Kibarian*	Chief Executive Officer and President
Keith A. Jones*	Chief Financial Officer and Vice President, Finance
P. Steven Melman	Vice President, Investor Relations and Strategic Initiatives
David A. Joseph*	Chief Strategy Officer
Kimon W. Michaels*	Vice President, Design For Manufacturability
Jim Jensen	Vice President, Business Development
Andre Hawit	Vice President and General Manager, Yield Management Solutions
Comelius (Cees) Hartgring*	Vice President, Client Services and Sales

* These individuals were identified as a "named executive officer" in the Company's proxy statement filed April 22, 2008.

The address of each director and executive officer is c/o PDF Solutions, Inc., 333 West San Carlos Street, Suite 700, San Jose, CA 95110, USA. The telephone number for each director and executive officer is +1 (408) 280-7900.

APPENDIX B
GUIDE TO INTERNATIONAL ISSUES

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN FRANCE

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in France. This summary is based on the law in effect in France as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in France apply to your specific situation.

TAX INFORMATION

Option Exchange and Grant of Restricted Stock Rights

As your entitlement to receive shares under the grant of restricted stock rights is conditioned on your continued employment by a PDF Solutions entity from the date of grant through the date of vesting of your restricted stock rights, you should not be required under current law to recognize income for income tax or social security purposes as a result of the exchange of eligible options for the grant of restricted stock rights.

Vesting of Restricted Stock Rights

You will be subject to income tax and social security contributions when your restricted stock rights vest. You will be subject to income tax and social security contributions based on the fair market value of the shares issues to you at vesting.

Sale of Shares

When you subsequently sell the shares, you will not be subject to tax on the capital gain if your total proceeds from the sale of securities (including your spouse's and your children's) during a calendar year do not exceed a certain amount which is set annually (€25,000 for 2008).

However, if your total proceeds (including your spouse's and your children's) from the sale of securities during a calendar year exceed the set amount, then you must pay capital gains tax on the entire gain you realize (*i.e.*, the difference between the net sale price and the fair market value of the shares issued to you on the vesting date). Capital gains tax applies at the rate of 29% (*i.e.*, 18% income tax plus 11% additional social taxes). The capital gain is equal to the difference between the sale price of the shares and the fair market value of the shares on the date of vesting.

If the sale proceeds are less than the fair market value of the shares at the time of vesting, you will realize a capital loss. Such capital loss can be offset against capital gains realized from the sale of securities during the year in which you sold the shares and/or during the ten following years. However, capital losses cannot be offset against other types of income (such as salary).

Dividends

You may be entitled to receive dividends, if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividend paid will be subject to United States federal tax withheld at source and will then be subject to income tax in France.

Pursuant to the provisions of the tax treaty entered into between France and the United States on August 31, 1994, the dividends received by a French tax resident who is not a US citizen will generally be subject to a 15% withholding tax. Under French tax law, the dividends will be either (i) subject to progressive income tax rates on 40% of the gross dividend received (*i.e.*, before US withholding tax) or (ii) subject to a 29% withholding tax (*i.e.*, 18% income tax plus 11% additional social contributions) on the gross dividend received (*i.e.*, before US withholding tax). You may, however, be entitled to a foreign tax credit against your French income tax for the United States federal tax withheld at source.

Withholding and Reporting

Your employer will withhold and pay all applicable social insurance contributions at the time of vesting. By participating in the offer, you will agree to make arrangements satisfactory to PDF Solutions, Inc. for the satisfaction of any applicable tax, social insurance or other obligations that arise in connection with the restricted stock rights and any shares issued pursuant thereto. Specifically, an amount sufficient to satisfy social insurance contributions and/or applicable taxes may be withheld from the proceeds of the sale of a certain number of your vested shares or through any program as determined appropriate and in accordance with the local laws and regulations. However, it is your responsibility to pay any taxes resulting from the vesting of your restricted stock rights, the sale of your shares, or the receipt of any dividends.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN GERMANY

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in Germany. This summary is based on the law in effect in Germany as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Germany apply to your specific situation.

TAX INFORMATION

Option Exchange

You likely will not be subject to tax as a result of the exchange of eligible options for the grant of restricted stock rights.

Grant of Restricted Stock Rights

You will not be subject to tax when the restricted stock rights are granted to you.

Vesting of Restricted Stock Rights

You will be subject to income tax at your marginal tax rate and to social insurance contributions (to the extent you have not already exceeded the applicable contribution ceiling) when the restricted stock rights vest. You will be taxed on the fair market value of the shares issued to you on the date of vesting. The fair market value of the shares is determined on the date the shares are debited from PDF's books for issuance to you.

Pursuant to Section 19a of the German Income Tax Act (Einkommensteuergesetz), you may be able to deduct from the taxable income you receive at vesting €135 (per calendar year) because the income results from the acquisition of shares in your employer's parent company at no cost. Please check the availability of this deduction with your tax advisor.

Sale of Shares

When you subsequently sell the shares acquired upon vesting, you will not be subject to tax provided that: (i) you own the shares for more than one (1) year; (ii) you do not own 1% or more of PDF's stated capital (and have not owned 1% or more at any time in the last five (5) years); and (iii) the shares are not held as business assets (this requirement should be met since you acquired the shares as an employee).

You will be subject to tax only if your total capital gain is €512 or more in the relevant tax year. If the sum of all of your capital gains upon sale exceeds the amount of €512, one-half of the whole amount is subject to taxation (less one-half of the sale-related expense). These rules are applicable until December 31, 2008. Significant changes to the tax treatment of capital gains become effective as of 2009; a general tax rate of 25% will then apply to your full capital gain.

Dividend Equivalents

If you receive shares upon vesting, you may be entitled to receive a dividend if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividend paid will be subject to income tax in Germany and also to United States federal withholding tax. You may be entitled to a foreign tax credit against your German income tax for the United States federal income tax withheld.

Withholding and Reporting

Your employer will report and withhold income tax and social insurance contributions (to the extent you have not already exceeded the applicable contribution ceiling) when your restricted stock rights vest and shares are issued to you. By participating in the offer, you will agree to make arrangements satisfactory to PDF Solutions, Inc. for the satisfaction of any applicable tax, social insurance or other obligations that arise in connection with the restricted stock rights and any shares issued pursuant thereto. Specifically, an amount sufficient to satisfy social insurance contributions and/or applicable taxes may be withheld from the proceeds of the sale of a certain number of your vested shares or through any program as determined appropriate and in accordance with the local laws and regulations. Should there be a difference between the actual tax liability and the amount withheld, the tax office may assess additional taxes or refund excess taxes after review of your annual tax return. It is your responsibility to report and pay any taxes due as a result of the sale of shares and the receipt of any dividends.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN ITALY

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in Italy. This summary is based on the law in effect in Italy as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Italy apply to your specific situation.

TAX INFORMATION

Option Exchange

You will not be subject to tax as a result of the exchange of existing options for the grant of restricted stock rights.

Fair Market Plan Exemption

Please note that as of July 4, 2006, the fair market value plan tax exemption which had been in effect for options granted before January 1, 1998 or after January 15, 2000 has been repealed by a recent decree. As a result, companies must start withholding income tax from the spread for option exercises occurring on or after July 4, 2006, unless another exemption applies. If the option was granted on or before July 4, 2006, the decree provides that no social insurance contributions are due on the exercise of the option. You should keep the tax consequences of existing options in mind in deciding whether to participate in the exchange offer.

Please also note that it is possible that the Italian IRS may characterize the exchange offer as a disposal of the stock options you were originally granted for a consideration comprising restricted stock rights. In such a case, your options would not benefit from the exemption regime, and the stock option value would be represented by the fair market value of the restricted stock rights at the time of the exchange.

One other exemption may apply to income from the exercise of options, which would be available if your options were granted between January 1, 1998 and January 15, 2000 and could be settled using only newly issued shares of PDF common stock upon exercise.

Grant of Restricted Stock Rights

You will not be subject to tax when the restricted stock rights are granted to you.

Vesting of Restricted Stock Rights

You will be subject to income tax and social insurance contributions when the restricted stock rights vest. You will be taxed on the "fair market value" (as defined under Italian law) of the shares issued to you on the date of vesting. "Fair market value" is defined as the average price per share on the official stock exchange on which PDF's shares are traded during the period ending on the day that the restricted stock rights vest and shares are issued and starting on the same day of the preceding calendar month.

Sale of Shares

If you acquire shares upon vesting, you will be subject to capital gains tax when you subsequently sell the shares. The gain on the shares sold is calculated as the difference between the sale price and the value of the shares issued to you at vesting which has been previously subject to employment income taxation. The capital gain realized by you on the sale of the shares will be taxed at a rate of 12.5% since it is highly likely that the shares sold will be “non-qualified shareholdings.” A shareholding will be a “non-qualified shareholding” and thus subject to capital gains tax at the rate of 12.5%, if the shares sold represent less than 2% of the voting rights or less than 5% of the outstanding shares of PDF ordinary shares.

In calculating capital gains tax, you may subtract any expenses incurred to produce the gain, except interest, and losses from the sale of any other non-qualified shareholding or from the sale of other capital investments. If losses exceed gains, the difference can be carried forward for the next four (4) years. Capital gains (or losses) must be reported in your annual tax return and the applicable capital gains tax must be paid, together with the personal income tax.

If you sell a non-qualified shareholding (as defined above), you may also elect to be taxed under one of two alternative tax regimes (described below). To be eligible for either of these methods, you must keep the shares in the custody of a financial broker or a bank authorized under the Italian Bank Act

Administered Savings Method

Under the administered savings method, you deposit the shares with an authorized broker, but you retain the right to make investment decisions. Under this method, a 12.5% flat withholding tax is levied on the capital gain for each transaction. The gain is calculated using the same method as described above. Losses from the sale of the shares may be subtracted from the related gain and, where losses exceed gains, the difference can be carried forward for the next four (4) years. Under this method, your broker pays the tax at the time of the transaction, so that capital gain is not included on your annual tax return.

Managed Savings Method

Under the managed savings method, you deposit the shares with an authorized broker and leave the administration and investment decisions to the broker. In this case, the 12.5% flat withholding tax is levied not on the capital gain actually realized through the sale of the shares but on the net result of the investment portfolio at the end of the year and the value of the portfolio at the beginning of the year, subject to some adjustment. Once again, the broker pays the tax at the end of the year and it is not included on your individual tax return.

Dividends

If you receive shares upon vesting, you may be entitled to receive dividends if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividends paid will be subject to a 12.5% flat withholding tax in Italy, since it is highly likely that the shares held will be “non-qualified shareholdings.” Such withholding tax will be applied on the dividend received net of any United States federal withholding tax applied on such dividend by the Italian authorized financial broker or bank acting as collecting agent of such dividends.

Withholding and Reporting

If your restricted stock rights are settled in shares, your employer will be required to report and withhold income tax and social insurance contributions on the income you derive from the vesting of the restricted stock rights at the time the restricted stock rights vest. By participating in the offer, you will agree to make arrangements satisfactory to PDF Solutions, Inc. for the satisfaction of any applicable tax, social insurance or other obligations that arise in connection with the restricted stock rights and any shares issued pursuant thereto. Specifically, an amount sufficient to satisfy social insurance contributions and/or applicable taxes may be withheld from the proceeds of the sale of a certain number of your vested shares or through any program as determined appropriate and in accordance with the local laws and regulations.

It is your responsibility to report the capital gain derived from the sale of shares and any dividends received in your annual tax return and to pay the relevant tax; however you are not required to report capital gain and any dividends received if you elected to keep the shares in the custody of a financial broker or a bank authorized under the Italian Bank Act.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN JAPAN

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in Japan. This summary is based on the law in effect in Japan as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Japan apply to your specific situation.

TAX INFORMATION

Option Exchange

You may not be subject to tax as a result of the exchange of eligible options for the grant of restricted stock rights. Please note, however, that the Japanese tax treatment of an option exchange for restricted stock rights is uncertain because there are no specific tax provisions related to such an exchange. Therefore, we recommend that you check with your personal tax advisor on the potential tax consequences of the offer.

Grant of Restricted Stock Rights

Although the tax treatment of restricted stock rights is uncertain in Japan, under the current practice of the tax authorities, you likely will not be subject to tax when the restricted stock rights are granted to you.

Vesting of Restricted Stock Rights

You will likely be subject to income tax when the restricted stock rights vest and shares are issued to you. You will be taxed on the fair market value of the shares issued to you on the date of vesting. Based on a recent decision of the Supreme Court of Japan on the taxation of stock options, the income realized on the vesting of the restricted stock rights will likely be characterized as "remuneration income" and taxed at your marginal tax rate. We recommend that you consult with your personal tax advisor to obtain more information on the income classification issue. You likely will not be subject to social insurance contributions upon vesting of your restricted stock rights.

Sale of Shares

When you subsequently sell the shares acquired upon vesting, you will be subject to tax on any gain you realize. The taxable gain will be calculated as the difference between the sale proceeds and your tax basis in the shares. Your tax basis will likely be the amount you recognize as income at vesting (*i.e.*, the fair market value of the shares at vesting). Generally, you will be subject to capital gains tax at a flat rate of 20%. You may be eligible for a reduced flat tax rate of 10%, as opposed to the standard flat rate of 20%. The 10% temporary lower rate is in effect (until 2008) subject to conditions including: (1) the stock must be traded on a recognized exchange (*i.e.*, the NASDAQ Global Select Market); and (2) the stock must be sold through a financial instruments firm registered in Japan. In addition, the 10% extended temporary lower rate will be applicable up to ¥5,000,000 of capital gains (as of January 1, 2009 and through December 31, 2010) subject to certain conditions. Please consult with your tax advisor to find out if you are eligible for a reduced rate and/or other favorable stock-related tax treatment.

Dividends

If you receive shares upon vesting, you may be entitled to receive dividends if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividends paid on the shares will be subject to income tax in Japan and also to United States federal withholding tax.

If the dividends are paid through a Japanese paying agent (*i.e.*, a financial instruments firm in Japan), the paying agent will withhold Japanese income tax at a rate of 10% (as of April 1, 2003 and through December 31, 2008). The withholding rate after December 31, 2008 will be 10% (up to ¥1,000,000) or 20% (over ¥1,000,000) until December 31, 2010. You may be entitled to a foreign tax credit against your Japanese income tax for the United States federal tax withheld.

Withholding and Reporting

Your employer is not required to withhold income tax on the exchange of options or the grant or vesting of your restricted stock rights. It is your responsibility to report any income resulting from the exchange of options, grant or vesting of your restricted stock rights, from the sale of shares or the receipt of any dividends and to pay the applicable taxes.

When you sell the shares acquired upon vesting of your restricted stock rights, any capital gains or losses must be reported in that year. However, if your gross annual salary amount is ¥20,000,000 or less and if your total annual income other than remuneration income paid by your main employer and retirement income (for example, bank interest, capital gains and divided income) is ¥200,000 or less for that year, you are not required to report such income.

You are generally not required to report your capital gain in the specific account at a financial instruments firm if the withholding tax on the income in the account is withheld by the financial instruments firm according to your choice.

Please consult with your tax advisor to find out if you are eligible for these general exemptions from filing a tax return.

Please note that Japanese tax authorities are aware that employees of Japanese affiliates of U.S. companies may earn income as a result of their participation in equity incentive plans, and they are systematically auditing the tax returns of such employees to confirm that they have correctly reported the resulting income.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN THE NETHERLANDS

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in the Netherlands. This summary is based on the law in effect in the Netherlands as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in the Netherlands apply to your specific situation.

TAX INFORMATION

Option Exchange

No tax is due as a result of the exchange of options for the grant of restricted stock rights.

Grant of Restricted Stock Rights

You will not be subject to tax when the restricted stock rights are granted to you.

Vesting of Restricted Stock Rights

You will be subject to income tax and social insurance contributions (to the extent you have not already exceeded the applicable contribution ceiling) when the restricted stock rights vest and shares are issued to you. You will be taxed on the fair market value of the shares issued to you on the date of vesting.

Sale of Shares

When you subsequently sell the shares acquired, you will not be subject to tax on any gain you realize, provided you hold less than 5% of (any class of) PDF's outstanding shares.

Annual Investment Tax

Investment yield tax (Box III) applies at a rate of 1.2% on the average value of all assets that you own at the beginning and end of the year (including shares of PDF), subject to an annual exemption (€20,315.00 for 2008). It is your responsibility to pay any investment tax due.

Dividend Equivalents

You may be entitled to receive dividend equivalents on your shares if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividend equivalents paid will not be subject to income tax in the Netherlands. However, the dividend equivalents will be subject to United States federal withholding tax. You may be entitled to a foreign tax credit against your Dutch income tax for the United States federal income tax withheld (up to 15%).

Withholding and Reporting

Your employer will withhold and report income tax and any applicable social insurance contributions due when the restricted stock rights vest. By participating in the offer, you will agree to make arrangements satisfactory to PDF Solutions, Inc. for the satisfaction of any applicable tax, social insurance or other obligations that arise in connection with the restricted stock rights and any shares issued pursuant thereto. Specifically, an amount sufficient to satisfy social insurance contributions and/or applicable taxes may be withheld from the proceeds of the sale of a certain number of your vested shares or through any program as determined appropriate and in accordance with the local laws and regulations. It is your responsibility to report any investment tax due and pay any tax due as a result of the sale of shares.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN SINGAPORE

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in Singapore. This summary is based on the law in effect in Singapore as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Singapore apply to your specific situation.

TAX INFORMATION

Option Exchange

There is a risk that the IRAS may view the exchange as a taxable release, in which case, you will be subject to tax on the value of the shares subject to your eligible options at the time of cancellation. Whether the IRAS will disregard the release of options (and tax only the restricted stock rights upon vesting as described below) depends on whether the terms of the restricted stock rights are more favourable compared to the options previously granted to you.

Grant of Restricted Stock Rights

Apart from the potential tax exposure in relation to the release of the option as mentioned above, generally you will not be subject to tax when restricted stock rights are granted to you with a vesting period.

Vesting of Restricted Stock Rights

You will be subject to income tax on the fair market value of the shares issued to you when the restricted stock rights vest (and may be net of any related gain on which you were previously taxed at the time of cancellation of your stock options), unless you are eligible for an exemption or deferral, as described below. You will not be subject to Central Provident Fund contributions upon vesting of your restricted stock rights. Please note that, if you are neither a Singapore citizen nor a Singapore permanent resident or you are a Singapore permanent resident who intends to leave Singapore permanently, different rules may apply to you, and you are advised to consult your personal tax advisor. As mentioned above, your tax treatment may be different if one of the exemption or deferral schemes applies. Please consult with your personal tax advisor to determine whether any of such schemes apply and which portion, if any, of your restricted stock rights may qualify for the favourable tax treatment.

ERIS (All Corporations) Scheme

Please note that the ERIS (All Corporations) Scheme is available only if restricted stock rights are granted to at least 25% of the employees employed by the Singapore affiliate of PDF Solutions, Inc. (*i.e.*, your employer) as of December 31st of the year of the offer. In addition, the ERIS (All Corporations) Scheme is available only with respect to restricted stock rights that have been held for one-half or one full year, depending on the price payable to acquire the shares.

You may qualify for a tax exemption on the first S \$2,000 of the gain at vesting or thereafter, annually, to the extent the restricted stock rights fall under the ERIS (All Corporations) Scheme. If you qualify for the ERIS (All Corporations) Scheme, you will have to pay tax only on 75% of the remaining gain (after the S \$2,000 exemption) that falls under the exemption. However, tax exemptions under this scheme are limited to gains of up to S \$1 million over a ten-year period from the year of first exemption.

Sale of Shares

When you subsequently sell the shares acquired upon vesting, you will not be subject to tax on any gain you realize, unless you are engaged in the business of buying and selling securities.

Dividends

If you receive shares upon vesting, you may be entitled to receive dividends if the Board of Directors of PDF, in its discretion, declares a dividend. Any dividend paid will be subject to United States federal withholding tax, but it will not be subject to Singapore income tax, even if it is received in Singapore.

Withholding and Reporting

Your employer is not required to withhold income tax when your restricted stock rights vest. However, if you are neither a Singapore citizen, nor a Singapore permanent resident or you are a Singapore permanent resident who intends to leave Singapore permanently, withholding tax rules will apply to you and you are advised to consult your tax advisor. By participating in the offer, you will agree to make arrangements satisfactory to PDF Solutions, Inc. for the satisfaction of any applicable tax, social insurance or other obligations that arise in connection with the restricted stock rights and any shares issued pursuant thereto. Specifically, an amount sufficient to satisfy social insurance contributions and/or applicable taxes may be withheld from the proceeds of the sale of a certain number of your vested shares or through any program as determined appropriate by PDF Solutions, Inc. and in accordance with the local laws and regulations.

Your employer will complete a Form IR8A, which will declare the taxable benefits you have derived from the release of the option and upon vesting of the restricted stock rights. The completed Form IR8A will state the salary or benefits paid to you by your employer during the year, whether in cash or in kind, including any income you have realized from your release of your options and upon vesting of the restricted stock rights. It is your responsibility to file your income tax return, wherein you must report this income or any gains from the subsequent sale of the shares (if you are engaged in the business of buying and selling securities) and pay the applicable taxes.

APPENDIX B

OFFER TO EXCHANGE: A GUIDE TO TAX ISSUES IN TAIWAN

The following is a general summary of the material tax consequences of the voluntary cancellation of eligible options in exchange for the grant of restricted stock rights for eligible individuals subject to tax in Taiwan. This summary is based on the law in effect in Taiwan as of May 2008. This summary is general in nature and does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances, nor is it intended to be applicable in all respects to all categories of eligible employees, directors and consultants. Please note that tax laws change frequently and occasionally on a retroactive basis. As a result, the information contained in this summary may be out of date at the time the restricted stock rights are granted, the restricted stock rights vest or you sell shares acquired upon vesting of the restricted stock rights.

This summary also includes other country-specific requirements that may affect your participation in the offer.

If you are a citizen or resident of another country for local law purposes, the information contained in this summary may not be applicable to you. You are strongly advised to seek appropriate professional advice as to how the tax or other laws in Taiwan apply to your specific situation.

TAX INFORMATION

Option Exchange

You likely will not be subject to tax as a result of the exchange of eligible options for the grant of restricted stock rights.

Grant of Restricted Stock Rights

You will not be subject to tax when the restricted stock rights are granted to you.

Vesting of Restricted Stock Rights

You will be subject to personal income tax when the restricted stock rights vest. You will be taxed on the fair market value of the shares on the date of vesting. You will not be subject to social insurance contributions upon vesting of your restricted stock rights.

Sale of Shares

When you subsequently sell the shares acquired upon vesting, you may be subject to the 20% Alternative Minimum Tax on the offshore capital gain, provided the sale takes place after December 31, 2008.

Dividends

If you receive shares upon vesting, you may be entitled to receive dividends if the Board of Directors of PDF, in its discretion, declares a dividend. You may be subject to the 20% Alternative Minimum Tax on any offshore dividends received after December 31, 2008. You will be subject to United States federal withholding tax.

Withholding and Reporting

Your employer likely is not required to withhold income tax but is required to report to the tax authorities the related information when your restricted stock rights vest. It will be your responsibility to report any income you derive from the vesting of the restricted stock rights on your personal tax return and pay the applicable taxes.



**OFFER TO EXCHANGE RESTRICTED STOCK RIGHTS
FOR CERTAIN OUTSTANDING STOCK OPTIONS
DATED JUNE 10, 2008**

ELECTION FORM

Please read this Election Form carefully. To properly elect to exchange your eligible options, PDF must *receive* your Election Form **before 9 p.m., U.S. Pacific Time, on July 9, 2008**.

You are not required to return this Election Form if you do not wish to participate in the offer. However, if PDF does not receive an Election Form **before 9 p.m., U.S. Pacific Time, on July 9, 2008**, we will interpret this as your election not to participate in the offer, and you will retain all of your outstanding options, subject to all of their current terms and conditions.

You must send a properly executed Election Form via electronic delivery, facsimile, regular mail, overnight courier, or hand delivery using the following contact information:

Via Electronic Delivery:

Scan the completed and signed Election Form and email it to tenderoffer@pdf.com.

Via Facsimile:

PDF Solutions, Inc., Attn: P. Steven Melman, +1 (408) 938-6478.

Via Regular Mail, Overnight Courier or Hand Delivery:

PDF Solutions, Inc., Attn: P. Steven Melman, 333 West San Carlos Street, Suite 700, San Jose, California 95110, USA.

Your acceptance of our offer will be effective as of the date and time that PDF *receives* your signed Election Form by any of the methods described above. While not a condition to your election, if you submitted your signed Election Form by way of electronic delivery or facsimile, PDF also asks that you make a copy for your own files and then submit the original signed Election Form by any of the methods described above. It is your responsibility to ensure that your election is received by PDF by the deadline.

You do not need to return your stock option agreement(s) in order to effectively elect to accept this offer.

You may confirm that your documents have been received by sending an email to the Offering Administrator at tenderoffer@pdf.com. PDF intends to confirm receipt of your signed Election Form within three business days of its arrival. If you do not receive confirmation of our receipt, it is your responsibility to ensure that we have properly received your election.

If you think the information regarding your eligible options set forth below is incorrect, or if you have any questions about the offer, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

* * *

From: [Name]

To: PDF Solutions, Inc.

I have received the Offer to Exchange dated June 10, 2008 (the "offer"), this Election Form, the form of Restricted Stock Agreement (the "Agreement") and the PDF Solutions, Inc. 2001 Stock Plan (the "2001 Plan").

I understand that by electing to participate in the offer, I will exchange all of my outstanding stock options that have an exercise price per share that is equal to or greater than U.S. \$10.00, all of which are listed below ("eligible options"), for restricted stock rights covering the number of shares of Company common stock set forth below. I further understand that the restricted stock rights will be granted under the PDF Solutions, Inc. 2001 Stock Plan and that they represent the right to receive a certain number of shares of common stock of PDF Solutions, Inc. (the "Company") upon the vesting of the restricted stock rights. I will not be required to pay anything to receive restricted stock rights or shares pursuant to restricted stock rights in connection with the offer.

Eligible Options/Restricted Stock Rights

<u>Grant Number</u>	<u>Grant Date</u>	<u>Exercise Price (USD)</u>	<u>Total Number of Shares Subject to Option at Grant</u>	<u>Total Vested Outstanding Options as of June 5, 2008</u>	<u>Total Outstanding/Unexercised Options</u>	<u>Number of Restricted Stock Rights</u>
---------------------	-------------------	-----------------------------	--	--	--	--

Please note that the Company will not issue any fractional restricted stock rights. The applicable amounts in the column headed "Number of Restricted Stock Rights" have been rounded up to the nearest whole number.

The Company has further informed me that restricted stock rights received in the offer will be unvested as of their grant date and will be subject to the applicable vesting schedule set forth below.

<u>Year During Which Eligible Options were Granted</u>	<u>Vesting Schedule of Restricted Stock Rights</u>
2000 - 2003	50% on 5/15/2009 and 50% 6 months thereafter
2004	25% on 5/15/2009 and 25% every 6 months thereafter
2005	16.7% on 5/15/2009 and 16.66% every 6 months thereafter
2006 and later years	12.5% on 5/15/2009 and 12.5% every 6 months thereafter

Only a whole number of restricted stock rights will vest in any period, and any fractional restricted stock right that would otherwise vest will be carried over to the next vesting period. The Company has advised me that I must continue to provide service to the Company or one of its subsidiaries through the required vesting periods to become entitled to receive or retain the underlying shares of common stock vesting at the end of each vesting period. The Company has notified me that if I choose not to participate in the offer, I will keep all of my eligible stock options, I will receive no restricted stock rights, and my outstanding eligible stock options will retain their current vesting provisions, exercise price and other terms.

I have reviewed the list of my eligible stock options set forth above and I confirm that it is an accurate and complete list of my eligible stock options and that I do hold all of the listed stock options.

If, before the expiration of the offer, I wish to exercise any of the eligible options I am electing to exchange, I acknowledge that I cannot do so unless I first properly withdraw this election in accordance with procedures set forth in Part III, Section 5 of the Offer to Exchange.

I acknowledge that upon the occurrence of any of the conditions set forth in Part III, Section 7 of the Offer to Exchange, the Company may terminate or amend the offer and postpone its acceptance and cancellation of any eligible options I elect for exchange.

I acknowledge that the restricted stock rights will be subject to the terms and conditions set forth in the 2001 Plan and the Agreement, which will constitute an agreement between the Company and me. I have reviewed the form of Agreement provided to me. I understand and acknowledge that the Company will deliver a final Agreement (with all the blanks filled in) to me via the Citigroup Global Markets Inc. website at www.benefitaccess.com as soon as practicable after the grant date.

I hereby represent and warrant that I have full power and authority to elect to exchange the options exchanged hereby and that, when and to the extent such options are accepted for exchange by the Company, such options will be free and clear of all security interests, liens, restrictions, charges, encumbrances, conditional sales agreements, or other obligations relating to the sale or transfer thereof, and such options will not be subject to any adverse claims. Upon request, I will execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the exchange of the options I am electing to exchange.

By signing this Election Form, I acknowledge that my election to exchange my eligible options pursuant to the procedure(s) described in Part III, Section 4 of the Offer to Exchange and in the instructions to this Election Form will constitute my acceptance of the terms and conditions of the offer. The Company's acceptance for exchange of options offered to be exchanged pursuant to the offer will constitute a binding agreement between the Company and me, upon the terms and subject to the conditions of the Offer to Exchange and this Election Form.

I acknowledge that I expect no financial compensation from the exchange and cancellation of my options. I also acknowledge that, in order to participate in the offer, I must be an eligible employee, consultant or director of the Company or one of its subsidiaries from the date when I elect to exchange my eligible options through the date when the restricted stock rights are granted and otherwise be eligible to participate under the 2001 Plan. I further acknowledge that, if I do not remain an eligible employee, consultant or director of the Company or one of its subsidiaries, I will not receive any restricted stock rights or any other consideration for the options that I elect to exchange and that are accepted for exchange pursuant to the offer.

I hereby give up all ownership interest in the options that I elect to exchange, which represent all of my eligible options, and I have been informed that they will become null and void on the date the Company accepts my options for exchange. I agree that I will have no further right or entitlement to purchase shares of the Company's common stock under the eligible options accepted by the Company for exchange or have any other rights or entitlements under such options. I acknowledge that this election is entirely voluntary. I also acknowledge that this election will be irrevocable on the date the Company accepts my options for exchange.

I acknowledge that the Company has advised me to consult with my own advisors as to the consequences of participating or not participating in the offer to exchange.

By signing below (i) I hereby elect to participate in the Offer to Exchange dated June 10, 2008, subject to all of the terms and conditions set forth therein, to exchange all of my outstanding eligible stock options listed above for the restricted stock rights covering the number of shares of Company common stock listed above, (ii) to the extent that I have not previously accepted any or all of the eligible stock options previously granted to me, I hereby agree to the terms and conditions set forth in the applicable stock option agreements previously provided, (iii) I hereby irrevocably waive the right to exercise all of my outstanding eligible stock options listed above and, therefore, to claim the delivery of the shares underlying these options, and (iv) I hereby irrevocably waive the right to claim any loss of opportunity as a result of the waiver of the right to exercise all of my outstanding eligible stock options listed above.

Participant Signature

Date and Time

Participant Name Printed

PDF Solutions, Inc. Office Location

Daytime Telephone Number

Email Address

**INSTRUCTIONS AND AGREEMENTS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER**

1. **Delivery of Election Form.** PDF Solutions, Inc. (the "Company") must receive your signed and dated Election Form before the offer expires at 9 p.m. U.S. Pacific Time on July 9, 2008. Any Election Form received after that time will not be accepted. If the offer is extended by the Company beyond that time, you may submit your election at any time until the extended expiration of the offer.

The method of delivery of any document is at your election and risk. If you choose to submit a signed Election Form, your election will be effective upon receipt. If hand delivery is not feasible, we recommend that you send it via electronic delivery or facsimile, and then follow up with a telephone call or email to confirm receipt by the deadline. If delivery is by mail, we recommend that you use registered mail with return receipt requested. In all cases, you should allow sufficient time to ensure timely delivery.

The Company will not accept any alternative, conditional, or contingent offers to exchange options. All eligible individuals electing to exchange options, by execution of this Election Form, waive any right to receive any notice of the acceptance of their election to exchange, except as provided for in the offer to exchange.

2. **Withdrawal of Election.** Elections to exchange made pursuant to the offer may be withdrawn at any time prior to the expiration of the offer. If the offer is extended by the Company beyond that time, you may withdraw your election at any time until the extended expiration of the offer. To withdraw your tendered options, you must deliver a Notice of Withdrawal with the required information while you still have the right to withdraw the election. Withdrawal elections may not be rescinded and any eligible options withdrawn from the offer will thereafter be deemed not properly tendered for purposes of the offer. To re-elect to exchange options that you have withdrawn, you must again follow the procedures described in these Instructions to deliver a new signed Election Form prior to the expiration of the offer.

3. **Signatures on this Election Form.** If this Election Form is signed by the option holder, the signature must correspond with the name as written on the face of the stock option agreement(s) to which the options are subject. If your name has been legally changed since your stock option agreement was signed, please submit proof of the legal name change.

If this Election Form is signed by a trustee, executor, administrator, guardian, attorney-in-fact, or other person acting in a fiduciary or representative capacity, that person should so indicate when signing, and proper evidence satisfactory to us of the authority of that person so to act must be submitted with this Election Form.

4. **Requests for Assistance or Additional Copies.** If you have any questions or need assistance, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com. If you would like to request additional copies of the Offer to Exchange or this Election Form, please email the Offering Administrator at tenderoffer@pdf.com. All copies will be furnished promptly at the Company's expense. You may also contact the Company by fax or through regular mail using the contact information listed above. You may also use the above contact information to overnight courier or hand deliver your correspondence to the Company.

5. **Irregularities.** All questions as to the number of shares subject to options to be accepted for exchange and the number of restricted stock rights to be granted, and any questions as to form of documents and the validity (including eligibility and time of receipt), form, and acceptance of any options elected to be exchanged will be determined by the Company in its sole discretion, which determinations shall be final and binding on all interested persons. The Company reserves the right to reject any or all elections to exchange options that the Company determines not to be in appropriate form or the acceptance of which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the right to waive any of the conditions of the offer and any defect or irregularity in any election to exchange options, and the Company's interpretation of the terms of the offer (including these instructions) will be final and binding on all parties. No election to exchange options will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with an election to exchange options must be cured within such time as the Company shall determine. Neither the Company nor any other person is or will be obligated to give notice of any defects or irregularities in the election to exchange options, and no person will incur any liability for failure to give any such notice.

6. **Additional Documents to Read.** You should be sure to read the Offer to Exchange, this Election Form, the 2001 Plan, and the form of Restricted Stock Agreement before deciding to participate in the offer.

7. Important Tax Information. You should consult your own tax advisor and refer to Part III, Section 14 of the Offer to Exchange, which contains important U.S. federal income tax information. If you live or work outside the United States, or are otherwise subject to a tax liability in a foreign jurisdiction, you should refer to Part III, Section 15 and Appendix B to the Offer to Exchange for a discussion of the tax consequences which may apply to you.

8. Data Privacy. By accepting the offer, you hereby explicitly and unambiguously consent to the collection, use, and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, the Company and/or any affiliate for the exclusive purpose of implementing, administering and managing your participation in the offer.

You have been advised that your employer, the Company, and/or any affiliate may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options, or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering, and managing the Company stock and other employee benefit plans and this offer (“Data”). You have been advised that Data may be transferred to any third parties assisting in the implementation, administration, and management of the offer, that these recipients may be located in your country, or elsewhere, and that the recipient’s country may have different data privacy laws and protections than in your country. You have been advised that you may request a list with names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Company’s stock and other employee benefit plans and this offer. You have been advised that Data will be held only as long as is necessary to implement, administer, and manage your participation in the stock and other employee benefit plans and this offer. You have been advised that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or if you are a resident of certain countries, refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You have been advised that refusing or withdrawing your consent may affect your ability to participate in this offer.

9. Acknowledgement and Waiver. By accepting this offer, you acknowledge that: (i) the offer is established voluntarily by the Company, it is discretionary in nature, and it may be extended, modified, suspended, or terminated by the Company at any time as provided in the offer; (ii) the grant of restricted stock rights is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock rights or options, or benefits in lieu of restricted stock rights or options, even if restricted stock rights or options have been granted repeatedly in the past; (iii) all decisions with respect to future grants under any the Company stock plan, if any, will be at the sole discretion of the Company; (iv) your acceptance of the offer will not create a right to employment or be interpreted to form an employment agreement with the Company, its subsidiaries, or its affiliates and will not interfere with the ability of your current employer, if applicable, to terminate your employment relationship at any time with or without cause; (v) your acceptance of the offer is voluntary; (vi) the future value of the Company’s shares is uncertain and cannot be predicted with certainty; (vii) the offer, the exchanged options, and the restricted stock rights are outside the scope of your employment contract, if any, and are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or similar payments; (viii) if you accept the offer and receive an award of restricted stock rights and obtain shares of Company common stock pursuant to such award, the value of the shares acquired may increase or decrease in value; (ix) you have been advised the risks associated with your participation in the offer as described in “Certain Risks of Participating in the Offer” contained in the Offer to Exchange; and (x) no claim or entitlement to compensation or damages arises from diminution in value of any restricted stock rights or shares acquired pursuant to the restricted stock rights you may receive as a result of participating in the offer and you irrevocably release the Company and its subsidiaries and affiliates from any such claim that may arise.

10. Tax Liability. Regardless of any action that the Company, its subsidiaries, or its affiliates take with respect to any or all income tax, social insurance, payroll tax, payment on account, or other tax-related withholding obligations (“tax obligations”), you acknowledge that the ultimate liability for all tax obligations legally due by you is and remains your sole responsibility and that the Company, its subsidiaries, and its affiliates (i) make no representations or undertakings regarding the treatment of any tax obligations in connection with any aspect of the cancellation of eligible options or the grant of restricted stock rights, the vesting of restricted stock rights and delivery of shares of Company common stock pursuant to the restricted stock rights, the subsequent sale of shares of Company common stock acquired pursuant to the restricted stock rights and the receipt of any dividends; and (ii) do not commit to structure the terms of the offer, including cancellation of the eligible options and/or the grant of restricted stock rights, to reduce or eliminate your liability for tax obligations.

You agree to pay or make adequate arrangements satisfactory to the Company, its subsidiaries, and its affiliates to satisfy all withholding obligations of the Company, its subsidiaries, and its affiliates for your tax obligations. Unless you are notified otherwise by the Company, by electing to participate in the offer and by accepting your Restricted Stock Agreement, you will authorize the Company's designated broker to, on each vesting date, sell that portion of any shares that are issued upon vesting necessary to obtain sufficient proceeds to satisfy any applicable tax, withholding or other liabilities (note that the full amount of the proceeds will be applied to satisfy any applicable tax, withholding or other liability, even if it may exceed the minimum amount required to satisfy such tax, withholding or other liability). The Company will have no obligation to deliver shares pursuant to your restricted stock rights until your tax obligations have been satisfied.

11. **Electronic Delivery of Documents.** Any document relating to participation in the offer or any notice required or permitted by the Offer to Exchange, this Election Form or a Notice of Withdrawal shall be given in writing and shall be deemed effectively given only upon *receipt* by the Company. The Offer to Exchange, this Election Form, a Notice of Withdrawal, the 2001 Plan, and any other communications to eligible option holders in connection with the offer (collectively, the "*documents*") may be delivered to you electronically. In addition, you may deliver electronically to the Company this Election Form or a Notice of Withdrawal. Such means of electronic delivery may include, but do not necessarily include, the delivery of a link to a Company intranet site or the Internet site of a third party involved in administering the offer, the delivery of the document via email, or such other means of electronic delivery specified by the Company. By executing this Election Form, you acknowledge that you have read this Instruction and consent to the electronic delivery of the documents. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing using the contact information on the first page of this Election Form. You further acknowledge that you will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, you have been advised that you must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. You may revoke your consent to the electronic delivery of documents described in this Instruction or may change the electronic mail address to which such documents are to be delivered (if you have provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised email address by telephone, postal service or electronic mail. Finally, you have been advised that you are not required to consent to electronic delivery of documents described in this Instruction.

12. **Governing Law and Documents.** The Election Form is governed by, and subject to, United States federal and Delaware state law, as well as the terms and conditions set forth in the Offer to Exchange. For purposes of litigating any dispute that arises under the Election Form, the parties hereby submit to and consent to the exclusive jurisdiction of California and agree that such litigation shall be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, where this offer is made and/or to be performed.

13. **Translations.** If you have received this or any other document related to the offer translated into a language other than English and if the translated version is different than the English version, the English version will control.



**NOTICE OF WITHDRAWAL
OF OPTIONS PREVIOUSLY TENDERED FOR EXCHANGE
PURSUANT TO THE OFFER TO EXCHANGE DATED JUNE 10, 2008**

If you previously elected to participate in the offer from PDF Solutions, Inc. to exchange certain outstanding stock options for restricted stock rights by submitting a signed Election Form and you would like to withdraw your election to exchange all of your eligible stock options, you must notify us of your withdrawal **before 9 p.m. U.S. Pacific Time on July 9, 2008.**

If you wish to notify us of your withdrawal, you must complete, sign, date and return this Notice of Withdrawal so that PDF *receives* it before the expiration date deadline. You must send this entire Notice of Withdrawal via electronic delivery, facsimile, regular mail, overnight courier, or hand delivery using the following contact information:

Via Electronic Delivery:

Scan the completed and signed Election Form and email it to tenderoffer@pdf.com.

Via Facsimile:

PDF Solutions, Inc., Attn: P. Steven Melman, +1 (408) 938-6478.

Via Regular Mail, Overnight Courier or Hand Delivery:

PDF Solutions, Inc., Attn: P. Steven Melman, 333 West San Carlos Street, Suite 700, San Jose, California 95110, USA.

Your withdrawal will be effective as of the date and time that PDF receives this Notice of Withdrawal by any of the methods described above. While not a condition to your withdrawal, if you submitted your Notice of Withdrawal by way of electronic delivery or facsimile, PDF also asks that you make a copy for your own files and then please submit the original Notice of Withdrawal by any of the methods described above. It is your responsibility to ensure that your withdrawal is received by PDF by the deadline.

PDF must receive your election to withdraw before *9 p.m. U.S. Pacific Time on July 9, 2008*, unless the offer is extended, in which case this Notice of Withdrawal must be received before the extended expiration of the offer.

You may confirm that your documents have been received by sending an email to the Offering Administrator at tenderoffer@pdf.com. PDF intends to electronically confirm receipt of your Notice of Withdrawal within three business days of its arrival. If you do not receive confirmation of our receipt, it is your responsibility to ensure that PDF properly received your Notice of Withdrawal.

If you have questions regarding the withdrawal of your election, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

* * *

From: [Name]

To: PDF Solutions, Inc.

I previously received the Offer to Exchange dated June 10, 2008 (the "offer"), an Election Form, the form of Restricted Stock Agreement (the "Agreement"), and the PDF Solutions, Inc. 2001 Stock Plan.

I signed and returned the Election Form, thereby electing to exchange all of my outstanding eligible stock options listed in the Election Form for restricted stock rights. I now wish to withdraw my tendered options from the offer. I understand that by signing this Notice of Withdrawal and delivering it pursuant to the procedure described in Part III, Section 5 of the Offer to Exchange and the instructions above, I will be withdrawing my election with respect to all of my outstanding eligible options.

By withdrawing my election, I understand that I will not receive any restricted stock rights for, and will continue to hold, all of my outstanding eligible options, which will continue to be governed by the terms and conditions of the applicable existing stock option agreement(s) between PDF Solutions, Inc. and me.

I understand that if I wish to change this withdrawal of my tendered options and once again accept the offer for any options that I have withdrawn, I must submit a new signed Election Form prior to the expiration of the offer.

By signing below, I hereby elect to withdraw from the Offer to Exchange dated June 10, 2008, subject to all of the terms and conditions set forth therein, and elect not to exchange any of my outstanding eligible stock options for restricted stock rights.

I have completed and signed this Notice of Withdrawal exactly as my name appears on my original Election Form.

Participant Signature

Date and Time

Participant Name Printed

PDF Solutions, Inc. Office Location

Daytime Telephone Number

Email Address

PDF SOLUTIONS, INC.
2001 STOCK PLAN

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (the "Agreement") is made and entered into as of July 10, 2008 by and between you and PDF Solutions, Inc., a Delaware corporation (the "Company"), pursuant to the PDF Solutions, Inc. 2001 Stock Plan (the "Plan"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Plan, which is attached to, and made a part of, this Agreement. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail.

In consideration of the mutual agreements herein contained and intending to be legally bound hereby, the parties agree as follows:

1. **Stock Purchase Right**. Pursuant to the Plan, the Company hereby grants to you, and you hereby accept from the Company, a Stock Purchase Right consisting of the right to acquire the total number of "Shares Granted" as specified for this Agreement under the tab "Grant Listing" for your account at www.benefitaccess.com, on the terms and conditions set forth herein and in the Plan.

2. **Vesting of Stock Purchase Right**. So long as your Service continues, the Stock Purchase Right shall vest in accordance with the following schedule: **[50%]** **[25%]** **[16.66%]** **[12.5%]** of the Shares subject to the Stock Purchase Right will vest on May 15, 2009 and **[50%]** **[25%]** **[16.66%]** **[12.5%]** of the Shares subject to the Stock Purchase Right will vest every six (6) months thereafter. Notwithstanding the foregoing, upon a consummation of a Change in Control any unvested portion of the Stock Purchase Right will fully vest.

3. **Termination of Service**. In the event of the termination of your Service for any reason, the unvested portion of the Stock Purchase Right shall be immediately forfeited without consideration.

4. **Settlement of Stock Purchase Right**. Shares shall be issued at the time and to the extent that the Stock Purchase Right vests from time to time, provided that the Company shall have no obligation to issue Shares pursuant to this Agreement unless and until you have satisfied any applicable obligations pursuant to Section 5 below and such issuance otherwise complies with all applicable laws, rules and regulations. Prior to the time the Stock Purchase Right is settled upon vesting, you will have no rights other than those of a general creditor of the Company. The Stock Purchase Right represents an unfunded and unsecured obligation of the Company.

5. **Withholding Taxes**. You agree to make arrangements satisfactory to the Company for the satisfaction of any applicable tax or other obligations that arise in connection with the Stock Purchase Right and any Shares issued pursuant thereto. Specifically, unless you are notified otherwise by the Company, by accepting this Agreement, you authorize the Company's designated broker to, on each vesting date, sell that portion of any Shares

that are issued upon vesting necessary to obtain sufficient proceeds to satisfy any applicable tax, withholding or other liability (note that the full amount of the proceeds will be applied to satisfy any applicable tax, withholding or other liability, even if it may exceed the minimum amount required to satisfy such tax, withholding or other liability). Notwithstanding the foregoing, any sale of your Shares must be made in compliance with all applicable laws, rules and regulations and the Company's insider trading policies and no sales shall occur pursuant to this provision or otherwise unless and until such laws, rules and regulations are satisfied. The Company shall not be required to issue Shares pursuant to this Agreement unless and until the obligations described herein are satisfied.

6. **Tax and Legal Advice.** You represent, warrant and acknowledge that the Company has made no warranties or representations to you with respect to any applicable tax or legal consequences of the transactions contemplated by this Agreement and you are in no manner relying on the Company or the Company's representatives for an assessment of such tax or legal consequences. YOU UNDERSTAND THAT THE TAX AND OTHER LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. YOU SHOULD CONSULT YOUR OWN TAX OR LEGAL ADVISOR REGARDING THIS AGREEMENT, THIS STOCK PURCHASE RIGHT AND SHARES TO BE ISSUED PURSUANT TO THIS STOCK PURCHASE RIGHT. YOU UNDERSTAND THAT THE COMPANY IS NOT PROVIDING ANY TAX OR LEGAL ADVICE, NOR IS THE COMPANY MAKING ANY RECOMMENDATION REGARDING YOUR ACCEPTANCE OF THIS GRANT. NOTHING STATED HEREIN IS INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAXPAYER PENALTIES.

7. **Non-Transferability of the Stock Purchase Right.** The Stock Purchase Right shall not be transferable other than by will or the laws of descent and distribution. The designation of a beneficiary or entry into a will or similar arrangement does not constitute a transfer. The terms of this Agreement shall be binding upon your executors, administrators, heirs, successors and assigns.

8. **Restriction on Transfer.** Regardless of whether the transfer or issuance of the Shares to be issued pursuant to this Stock Purchase Right have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company may impose additional restrictions upon the sale, pledge or other transfer of the Shares (including the placement of appropriate legends on stock certificates, if any, and the issuance of stop-transfer instructions to the Company's transfer agent) if, in the judgment of the Company and the Company's counsel, such restrictions are necessary in order to achieve compliance with the provisions of the Securities Act, the securities laws of any state, or any other law, including the laws of any other country.

9. **Representations, Warranties, Covenants, and Acknowledgments.** You hereby agree that, in the event the Company and the Company's counsel deem it necessary or advisable in the exercise of their discretion, the transfer or issuance of the Shares issued pursuant to this Stock Purchase Right may be conditioned upon you making certain representations, warranties, and acknowledgments relating to compliance with applicable securities laws.

10. **Compliance with Law.** Depending on your country of residence, there may be additional restrictions on this Stock Purchase Rights or Shares to be issued pursuant to this Stock Purchase Right which are set forth in the attached Appendix A to this Restricted Stock Agreement. Furthermore, you understand that the laws of the country in which you are working at the time of grant or vesting of the Stock Purchase Right or at the subsequent sale of any Shares issued pursuant to the Stock Purchase Right (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters), may subject you to additional procedural or regulatory requirements that you are solely responsible for and must independently fulfill in relation to the Stock Purchase Right or ownership or sale of Shares.

11. **Voting and Other Rights.** Subject to the terms of this Agreement, you shall not have any voting rights or any other rights and privileges of a stockholder of the Company unless and until Shares are issued upon vesting of this Stock Purchase Right.

12. **Authorization to Release Necessary Personal Information.** You hereby authorize and direct your employer to collect, use and transfer in electronic or other form, any personal information (the “Data”) regarding your employment, the nature and amount of your compensation and the facts and conditions of your participation in the Plan (including, but not limited to, your name, home address, telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Shares held and the details of all Awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding) for the purpose of implementing, administering and managing your participation in the Plan. You understand that the Data may be transferred to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any requisite transfer to a broker or other third party assisting with the administration of this Stock Purchase Right under the Plan or with whom Shares acquired pursuant to this Stock Purchase Right or cash from the sale of such Shares may be deposited. You acknowledge that recipients of the Data may be located in different countries, and those countries may have data privacy laws and protections different from those in the country of your residence. Furthermore, you acknowledge and understand that the transfer of the Data to the Company or any of its Parent, Subsidiaries or Affiliates, or to any third parties is necessary for your participation in the Plan. You may at any time withdraw the consents herein by contacting your local human resources representative in writing. You further acknowledge that withdrawal of consent may affect your ability to realize benefits from this Stock Purchase Right, and your ability to participate in the Plan.

13. No Entitlement or Claims for Compensation.

(a) Your rights, if any, in respect of or in connection with this Stock Purchase Right or any other Award is derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary Award. By accepting this Stock Purchase Right, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you. This Stock Purchase Right is not intended to be compensation of a continuing or recurring nature or part of your normal or expected compensation, and in no way represents any portion of your salary, compensation or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

(b) Neither the Plan nor this Stock Purchase Right or any other Award granted under the Plan shall be deemed to give you a right to become or remain an Employee, Consultant or Director of the Company, a Parent, a Subsidiary or an Affiliate. The Company, its Parents, Subsidiaries and Affiliates, reserve the right to terminate your Service at any time, with or without cause, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and you shall be deemed irrevocably to have waived any claim to damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan, this Stock Purchase Right or any outstanding Award that is forfeited and/or is terminated by its terms or to any future Award.

14. **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by telegram or fax or forty-eight (48) hours after being deposited in the mail, as certified or registered mail, with postage prepaid, and addressed to the Company at its principal corporate offices and to you at the address maintained for you in the Company's records.

15. **Entire Agreement; Enforcement of Rights.** This Agreement, including Appendix A hereto (which is attached to and is a part of this Agreement), together with the Plan, sets forth the entire agreement and understanding of the parties relating to the subject matter herein and therein and merges all prior discussions between the parties. Except as contemplated under the Plan, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

16. **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

17. **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

18. **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by, the Company's successors and assigns. The rights and obligations of you under this Agreement may not be assigned without the prior written consent of the Company.

19. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to this Stock Purchase Right under the Plan and participation in the Plan or future Awards that may be granted under the Plan by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Language.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

21. **Acceptance of Agreement.** You must expressly accept the terms and conditions of your Stock Purchase Right as set forth in this Agreement by electronically accepting this Agreement by December 31, 2008. If you do not accept this Agreement by December 31, 2008 in the manner instructed by the Company or its designated broker/administrator, your Stock Purchase Right will be forfeited.

* * * *

You acknowledge that by electronically accepting this Agreement, you agree to be bound by all terms of this Agreement.

PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS

**PDF SOLUTIONS, INC.
2001 STOCK PLAN**

RESTRICTED STOCK AGREEMENT

APPENDIX A

This Appendix A includes additional specific terms that apply to you if you are resident in a non-U.S. country. This Appendix A is part of the Restricted Stock Agreement and contains terms and conditions material to participation in the Plan. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Restricted Stock Agreement.

You understand and agree that the Company is neither responsible for any foreign exchange fluctuations between your local currency and the U.S. Dollar that may affect the value of the Company's Shares nor liable for any decrease in the value of the Shares.

Japan

If you are issued or transfer Shares with a value that exceeds ¥100,000,000, you must file a report with the Ministry of Finance through the Bank of Japan within twenty (20) days of receiving the Shares (provided, however, that if you acquire the Shares through a financial instruments firm in Japan, this requirement will not apply).

In addition, if you are a resident of Japan and make or receive any cross-border payment of more than ¥30,000,000 you must file a report with the Minister of Finance via the Bank of Japan within ten (10) days.

Korea

Exchange control laws require Korean residents who realize US \$500,000 or more from the sale of Shares or the receipt of any dividends to repatriate the proceeds to Korea within eighteen (18) months of the sale or the receipt of the dividends, as applicable.

Singapore

This offer of a Stock Purchase Right and the underlying Shares shall be made available only to an employee of the Company or its Affiliates, in reliance of the prospectus exemption set out in section 173(1)(f) the Securities and Futures Act (Chapter 289) of Singapore. In addition, you agree, by your acceptance of this offer, not to sell any Shares within six (6) months of the date of grant.

Please note that neither this Restricted Stock Agreement nor any other document or material in connection with this offer of a Stock Purchase Right and the Shares has been or will be lodged, registered or reviewed by any regulatory authority in Singapore.

You should not treat the contents of this document as advice relating to legal, taxation or investment matters and are advised to exercise caution in relation to the offer and to consult your own professional adviser(s) concerning the contents of this Restricted Stock Agreement.

Taiwan

The Plan is not registered in Taiwan with the Securities and Futures Bureau and is not subject to the securities laws of Taiwan.

You may acquire and remit foreign currency (including proceeds from the sale of Shares) into Taiwan up to US \$5,000,000 per year. Remittance of funds for the purchase of Shares should be made through an authorized foreign exchange bank.

[FORM OF COMMUNICATION FROM P. STEVEN MELMAN TO ALL ELIGIBLE OPTION HOLDERS]

From: P. Steven Melman
Date: June 10, 2008
Subject: Announcement of PDF Stock Option Exchange Program

We are pleased to announce that PDF has initiated a voluntary program in which our eligible employees, consultants and directors are being offered the opportunity to exchange certain options that are currently “underwater” for restricted stock rights, subject to certain restrictions.

The program begins today, June 10, 2008, and is scheduled to expire on July 9, 2008. The complete terms and conditions of the program are described in a document called the “Offer to Exchange,” which was filed earlier today with the Securities and Exchange Commission and attached to this email.

All stock options that you hold with an exercise price per share that is equal to or greater than U.S. \$10.00 are eligible for the exchange.

To participate in our option exchange offer, you should review each of the following documents, each of which is attached to this email:

- the Offer to Exchange;
- a blank Election Form;
- the form of Restricted Stock Agreement; and
- the PDF Solutions, Inc. 2001 Stock Plan.

You will be receiving a separate email shortly with your Election Form that includes the details of your outstanding eligible stock options and the restricted stock rights that you would receive if you elect to participate in the offer.

You may also obtain a copy of the Offer to Exchange and all related form documents on the internet at www.sec.gov. If you need additional copies of any of the above documents, please email the Offering Administrator at tenderoffer@pdf.com. **Please review these materials carefully.**

To participate, you must make your election before the expiration of the offer at 9 p.m. U.S. Pacific Time on July 9, 2008.

Moreover, if you wish to withdraw from the exchange program after you have elected to exchange all of your eligible options, you must submit to PDF the Notice of Withdrawal attached to this email in accordance with the delivery requirements set forth in the Notice of Withdrawal prior to the expiration of the offer at the time and date stated above.

Over the next few weeks, we will be conducting “question and answer” sessions for eligible individuals at various times depending upon your location. In these meetings, I will assist you in answering your questions. The sessions are not intended to provide a comprehensive overview of the program in lieu of reading the offer materials. Shortly, you will be notified of the time and place of these meetings. If you have any questions at any other time during the offer period, you may email your questions to tenderoffer@pdf.com.

Finally, please note that participation in the option exchange program is VOLUNTARY. PDF makes no recommendation about whether you should or should not elect to exchange your eligible options. You must make your own decision regarding participation in the option exchange program. We recommend that you to seek professional advice from your financial and tax advisors.

YOU WILL HAVE UNTIL 9 P.M. U.S. PACIFIC TIME ON JULY 9, 2008, TO ELECT TO PARTICIPATE IN THE EXCHANGE OFFER.

Thank You,
P. Steven Melman

[EMAIL COMMUNICATION TO CERTAIN OFFICERS OF PDF SOLUTIONS, INC. DATED JUNE 10, 2008]

To: Certain Officers of PDF Solutions, Inc.
From: P. Steven Melman
Date: June 10, 2008
Subject: Announcement of PDF Stock Option Exchange Program

Internal Communication

In connection with the offer from PDF Solutions, Inc. to exchange certain outstanding stock options which commenced today, June 10, 2008, the following documents are being sent to employees, consultants and directors with eligible stock options: the Offer to Exchange, the Election Form, the form of Restricted Stock Agreement, and the PDF Solutions, Inc. 2001 Stock Plan, each of which is attached for your review. Also attached is a PowerPoint presentation regarding the exchange program which we will make available to individuals during "question and answer" meetings held between now and the close of the offer on July 9, 2008.

The exchange program begins today, June 10, 2008, and ends at 9 p.m. U.S. Pacific Time on July 9, 2008.

WHAT WE WANT YOU TO DO

- Read carefully through all the attached materials
- Address any questions to P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com
- Encourage individuals to read their communication materials carefully
- Remind individuals of their deadlines
- Direct individuals to consult with their own financial advisor as to their decision to participate in the exchange program
- Understand your role, especially on your communication with individuals

WHAT YOU CANNOT SAY OR DO

- You cannot **advise individuals** as to their participation in the exchange program
- You cannot **encourage or discourage** individuals to **exchange or not exchange** their eligible stock options
- You cannot **interpret any communication** for individuals, simply **repeat what is stated** in the documentation

Please note that the tender offer will only be made through an Offer to Exchange which will be sent to eligible employees, consultants and directors today and is also available at <http://www.sec.gov>.

Please review the material carefully and contact P. Steven Melman if you have any questions.

Thank you
P. Steven Melman

[FORM OF "QUESTION AND ANSWER" MEETING ANNOUNCEMENT]

To PDF Solutions, Inc. Optionholders Eligible to Participate in the Offer to Exchange

There will be a meeting held on _____, 2008 to discuss the terms of the Offer to Exchange relating to certain stock options and to answer any questions you may have. The meetings will start at _____ [and will be held in _____]. [You may participate in the meeting by using the following dial-in number _____].

Thank you,
P. Steven Melman

PDF Solutions, Inc.

Option Exchange Program

Agenda

- Overview
 - Objectives
 - Eligibility
 - Who is Eligible?
 - What Options are Eligible?
 - What are Restricted Stock Rights?
 - How will the Exchange Work?
 - Example of an Exchange
 - Tax Implications
 - Key Dates
 - Next Steps
-

Overview

- PDF is offering to exchange eligible options held by eligible individuals for restricted stock rights.
 - Restricted stock rights are rights to acquire shares of PDF common stock which will be issued when the restricted stock rights vest.
 - The program is VOLUNTARY — participation is not required.
 - You may elect to participate by completing the Election Form and returning it to Steve Melman electronically, by fax, by mail, or in person.
 - Enrollment begins on June 10, 2008 and will end on July 9, 2008.
-

Objectives

- To reduce the number of shares subject to outstanding options and reduce the dilutive impact of such awards to our stockholders.
 - To promote the interests of our stockholders by incentivizing and retaining key employees while reinforcing the equity component of our market-competitive compensation program.
-

Eligibility: Who is Eligible?

- All individuals with eligible options who are either employed by or rendering services to the company or one of its subsidiaries.
 - Includes individuals on personal leave of absence or medical, maternity, worker's compensation, military, or other statutorily protected leave.
 - Includes individuals who work outside of the U.S.
-

Eligibility: What Options are Eligible?

All unexercised (vested or unvested) outstanding stock options with an exercise price of \$10.00 or more are eligible to be exchanged for restricted stock rights

What are Restricted Stock Rights?

- Restricted stock rights are rights to receive shares of PDF common stock at no cost to the participant.
 - Shares of PDF common stock will only be issued if and when the restricted stock rights vest.
 - Restricted stock rights issued in the exchange will be 0% vested on the date of grant.
 - The first vest date for all restricted stock rights issued in the exchange will be May 15, 2009.
 - The length of the vesting schedule for your restricted stock rights will depend on when you were granted the options that you turn in pursuant to the exchange.
 - Restricted stock rights will fully vest upon a change of control of the company.
-

What are Restricted Stock Rights? (continued)

- Vesting Applicable to Restricted Stock Rights:

Year During Which Exchanged Options were Granted	Vesting Schedule of Restricted Stock Rights
2000 – 2003	50% on 5/15/2009 and 50% 6 months thereafter
2004	25% on 5/15/2009 And 25% every 6 months thereafter
2005	16.7% on 5/15/2009 and 16.66% every 6 months thereafter
2006 and later years	12.5% on 5/15/2009 and 12.5% every 6 months thereafter

- Only a whole number of restricted stock rights will vest in any period. Any fractional restricted stock right that would otherwise vest will be carried over to the next vesting period.
-

How Will the Exchange Work?

- If you would like to participate in the exchange, you must elect to cancel all of your unexercised outstanding stock options with an exercise price of \$10.00 or more.
 - The program is an “all or nothing” exchange.
 - You may not submit only a portion of an option.
 - If you submit any eligible options, you must submit all of your eligible options.
 - For every 4.2 shares subject to eligible options that you elect to cancel, you will receive 1 restricted stock right.
 - Fractional restricted stock rights will be rounded up.
-

Example of an Exchange

	<u>Grant A</u>	<u>Grant B</u>	<u>Grant C</u>	<u>Grant D</u>
Options Granted	5,000	5,000	5,000	5,000
Outstanding Options	0	2,500	2,200	5,000
Exercise Price	\$10.25	\$9.00	\$10.00	\$13.00
Exchange Ratio	4.2 shares : 1 Restricted Stock Right			
Restricted Stock Rights Issued	0	0	524 (rounded from 523.8)	1,191 (rounded from 1,190.4)

- Grant A: Ineligible because no options are outstanding.
 - Grant B: Ineligible because exercise price below threshold for eligibility.
 - Grant C: Eligible because some options are outstanding and exercise price is above threshold for eligibility.
 - Grant D: Eligible because all options are outstanding and exercise price is above threshold for eligibility.
- ➔ If elect to participate, total of 1,715 restricted stock rights will be granted, 2,500 options retained.
- ➔ If do not elect to participate, 9,700 options retained, no restricted stock rights granted.
-

Tax Implications

- Generally, there will be no immediate tax consequences resulting from an election to participate in the exchange.
- Taxable income will generally be recognized as the restricted stock rights vest and shares are issued.
- PDF may have an employment and income tax withholding obligation at the time restricted stock rights vest and shares are issued.
- By electing to participate in the exchange and accepting restricted stock rights, each participant will have given PDF, or its designated broker, the right to sell vested shares to satisfy any applicable withholding obligations.

Note: The items above are generalities and PDF is not implying that such generalities are applicable to all participants, especially those in international locations. Eligible participants should read Questions 43 & 44 on Page 13, Section 14 of Part III and Appendix B of the Offer to Exchange. Additionally, each eligible participant should consult their own tax advisor before electing to participate in the exchange and to ensure that any applicable estimated taxes and other taxes are paid on a timely basis.

Key Dates

- June 10, 2008
 - Exchange program commences
 - July 9, 2008
 - Enrollment closes at 9 p.m. U.S. Pacific Time
 - July 10, 2008
 - Exchanged options will be cancelled
 - Restricted stock rights will be issued
 - December 31, 2008
 - Participants must have accepted their restricted stock agreement or they will forfeit the agreement and all of the restricted stock rights
 - May 15, 2009
 - Initial vest date for all restricted stock rights
-

If you fail to make an election,
you will be deemed to have
opted out of the Program

Next Steps

- Carefully read the Offer to Exchange.
 - Read and understand the election form and other forms and documents delivered to you with the Offer to Exchange.
 - If you have any questions, contact Steve Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.
 - Consider any personal financial implications and consult with your personal financial and tax advisor.
 - Decide whether to participate and complete and submit the election form before 9 p.m. U.S. Pacific Time on July 9, 2008.
-

This presentation is only a summary and does not supersede any information in the Offer to Exchange and any attachments to the Offer to Exchange

[FORM OF CONFIRMATION OF RECEIPT OF ELECTION FORM]

Confirmation of Receipt of Election Form

This Confirmation of Receipt of Election Form is related to the offer from PDF Solutions, Inc. to exchange certain outstanding stock options.

We have received your Election Form electing to **ACCEPT** the offer to exchange all eligible stock options as indicated in your Election Form.

Please note that you may change your election(s) at any time before 9 p.m. U.S. Pacific Time on July 9, 2008.

If you have any questions, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

Thank you,
P. Steven Melman

[FORM OF CONFIRMATION OF RECEIPT OF NOTICE OF WITHDRAWAL]

Confirmation of Receipt of Notice of Withdrawal

This Confirmation of Receipt of Notice of Withdrawal is related to the offer from PDF Solutions, Inc. to exchange certain outstanding stock options.

We have received your Notice of Withdrawal electing to **REJECT** the offer to exchange all eligible options as indicated in your Notice of Withdrawal.

Please note that you may change your election(s) at any time before 9 p.m. U.S. Pacific Time on July 9, 2008.

If you have any questions, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

Thank you,
P. Steven Melman

[FORM OF REMINDER OF EXPIRATION OF OPTION EXCHANGE OFFER]

Reminder — Offer to Exchange Expiration Date is Approaching

This is to remind you that the offer made to eligible employees, consultants and directors to exchange certain outstanding stock options that commenced on June 10, 2008 is scheduled to expire at 9 p.m. U.S. Pacific Time on July 9, 2008.

We currently have no plans to extend the expiration date. If you wish to exchange any of your eligible stock options, you must complete and sign your Election Form and submit it to us so that we *receive* it before 9 p.m. U.S. Pacific Time on July 9, 2008.

ALL ELECTIONS MUST BE SUBMITTED BEFORE 9 P.M. U.S. PACIFIC TIME, ON JULY 9, 2008. THERE WILL BE NO EXCEPTIONS UNLESS WE DECIDE TO EXTEND THIS DEADLINE FOR ALL ELIGIBLE EMPLOYEES, CONSULTANTS AND DIRECTORS. IF YOU DO NOT SUBMIT A SIGNED ELECTION FORM, NONE OF YOUR ELIGIBLE OPTIONS WILL BE EXCHANGED AND YOUR ELIGIBLE OPTIONS WILL REMAIN OUTSTANDING, SUBJECT TO THEIR CURRENT EXERCISE PRICES AND TERMS.

If you have any questions, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

Thank you,
P. Steven Melman

[FORM OF CONFIRMATION OF PARTICIPATION IN OPTION EXCHANGE OFFER]

Confirmation of Participation in Option Exchange Offer

Our offer to eligible employees, consultants and directors to exchange certain outstanding stock options that commenced on June 10, 2008 expired at 9 p.m. U.S. Pacific Time on July 9, 2008.

This message confirms that on July 10, 2008, we accepted for exchange and canceled all of your eligible stock options that you tendered for exchange with your Election Form.

Upon the terms and conditions described in the Offer to Exchange and your Election Form, we granted to you restricted stock rights in replacement of your canceled stock options.

Shortly, we will deliver to you a Restricted Stock Agreement via the Citibank Global Markets, Inc. website at www.benefitaccess.com (in the form previously provided to you, but with the blanks filled in). You will be required to accept the agreement by December 31, 2008. If you do not accept the agreement by December 31, 2008, you will forfeit the agreement and all of your restricted stock rights.

If you have any questions, please telephone P. Steven Melman at +1 (408) 938-6445 or send an email to tenderoffer@pdf.com.

Thank you,
P. Steven Melman

APPENDIX A
SUB-PLAN TO THE
PDF SOLUTIONS, INC. 2001 STOCK PLAN
(FRANCE)
OCTOBER 23, 2006

This Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan (France) (the “**Sub-Plan**”) was created under and pursuant to the PDF Solutions, Inc. 2001 Stock Plan as Amended October 23, 2006 and is intended to govern stock-options granted to French-resident employees of the French Subsidiary which are intended to qualify for preferred treatment under French tax and social security laws. All other types of Awards shall remain governed by the terms of the Plan.

The Committee may grant Options pursuant to this Sub-Plan to any Employee. All Sections and subsections of the Plan are incorporated herein and shall apply to Options granted pursuant to this Sub-Plan, except that Sections 4(c), 8 and 10(b) are not incorporated herein and the following Sections and subsections of the Plan shall be modified as set forth below.

SECTION 2. DEFINITIONS. For purposes of this Sub-Plan, the following terms shall have the meanings set forth in this Section 2. Unless otherwise defined in this Sub-Plan, including this Section 2, capitalized terms used in this Sub-Plan shall have the meaning set forth in the Plan:

“**Disability**” means total and permanent disability established on the basis of medical evidence and corresponding to the ranking in the second or third category provided in article L.341-4 of the French social security code (“Code de la sécurité sociale”).

“**Employee**” means an individual who is employed in a salaried position by the French Subsidiary, who is a resident of France for tax purposes on the date of grant of an Option hereunder and who does not own more than ten percent (10%) of the share capital of the Company on the date of grant of any Option hereunder.

“**Fair Market Value**” means the market price of Shares, determined by the Committee as follows:

- (i) If the Shares were traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the last trading price reported by the applicable composite transactions report for such date;
- (ii) If the Shares were traded over-the-counter on the date in question and were classified as a national market issue, then the Fair Market Value shall be equal to the last-trading price quoted by the NASDAQ Global Market system for such date;
- (iii) If the Shares were traded over-the-counter on the date in question but were not classified as a national market issue, then the Fair Market Value shall be equal to the mean between the last reported representative bid and asked prices quoted by the NASDAQ Global Market system for such date; and
- (iv) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith applying a reasonable valuation method as it deems appropriate, provided however that such valuation method shall comply with the terms of article L.225-177 of the French Code de Commerce.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in the Wall Street Journal. Such determination shall be conclusive and binding on all persons.

“**French Subsidiary**” means the share capital or voting power of which is at least ten percent (10%) owned, directly or indirectly, by the Company, and any other French Company in which the Company may come to own at least ten percent (10%) of the share capital or voting power, directly or indirectly.

“**Key Employee**” means an Employee who has been selected by the Committee to receive an Option under the Plan.

“**Option**” means an option, granted in accordance with articles L.225-177 et seq. of the French Code de Commerce, giving the Optionee the right to acquire one share of Common Stock at the Exercise Price established by the Committee on the date of grant of such option.

SECTION 4. ELIGIBILITY.

The following paragraphs of this section shall be amended to read as follows:

(a) **General Rules.** Only Employees shall be eligible for designation as Key Employees by the Committee.

(b) **Incentive Stock Options.** Employees shall not be eligible for the grant of Incentive Stock Options.

SECTION 5. SHARES SUBJECT TO PLAN.

The following paragraph shall be added as paragraph (f) of this section:

(f) **Repurchase of Shares.** If Awards granted hereunder give the right to acquire or receive existing Shares of Common Stock, the Company shall repurchase such Shares prior to the date on which the relevant Options become exercisable.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

The following paragraphs of this section shall be amended to read as follows:

(c) **Exercise Price.** An Option’s Exercise Price shall be established by the Committee and set forth in a Stock Option Agreement. The Exercise Price of an Option shall not be less than 100% of the Fair Market Value of a Share on a date of Grant, provided however that if the Company is listed on a regulated market (within the meaning of French law) on such date, the Exercise Price of an Option shall also not be lower than (i) 80% of the average market price of a Share over the twenty (20) market trading days preceding the date of Grant and (ii) in the case of Options to purchase existing Shares, 80% of the average price paid by the Company to repurchase its own Shares.

(f) **Transferability of Options.** No Option shall be transferable by the Optionee other than by the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by the Optionee. In case of death of the Optionee, his or her heirs shall have six (6) months to exercise the Options granted to the Optionee, subject to the terms of the applicable Stock Option Agreement. No Option or interest therein may be assigned, pledged or hypothecated by the Optionee during his/her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

The following paragraph shall be added as paragraph (i) of this section:

(i) **Prohibited Periods.** If the Company is or becomes listed on a regulated market (within the meaning of French law), no Option shall be granted hereunder during the following periods: (i) the twenty (20) market trading days after the detaching of a share coupon giving entitlement to a dividend or capital increase; (ii) the ten (10) market trading days both preceding and following the date on which the consolidated accounts of the Company (or if consolidated accounts are not drawn up, the annual accounts) are made public; and (iii) the period elapsing between the date on which the corporate bodies of the Company are made aware of information which, if made public, could have a significant impact on the market price of the Shares of the Company, and the date which is ten (10) market trading days after the date on which such information is made public.

SECTION 9. PROTECTION AGAINST DILUTION.

The following paragraph of this section shall be amended to read as follows:

(a) **Adjustments.** In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the price of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a recapitalization, reorganization, merger, liquidation, spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its reasonable discretion, deems appropriate in order to prevent the dilution or enlargement of rights hereunder in one or more of:

- (i) the number of Shares available for future Awards and the per person Share limits under Section 5;
- (ii) the number of Shares covered by each outstanding Award; or
- (iii) the Exercise Price under each outstanding Option;

provided, however, that, if the Company implements a share capital amortization or reduction inducing a cancellation of shares, a change in the allocation of profits, a free award of shares, a share capital increase inducing an additional issue of shares through a capitalization of reserves, profits or issuance premium, a distribution of reserves or an issue of Shares or instruments giving access to the share capital for which existing stockholders benefit from a subscription right, the Company shall, to the extent required under French law, take all measures necessary to protect the interest of Optionees in accordance with the conditions set forth under article L.228-99 of the French Code de Commerce and the Decree 67-236 of March 23, 1967, as modified by Decree 2005-112 of February 10, 2005, so that (i) the exercise price of outstanding Options granted under this Sub-Plan shall be adjusted in accordance with relevant articles of the Decree 67-236 of March 23, 1967 and (ii) the number of Shares subject to outstanding Options granted under this Sub-Plan shall then be adjusted so that the sum of the exercise prices remains constant, provided, however, that the adjusted number of Shares shall be rounded up to the nearest whole unit and that the exercise price of Options to subscribe to newly issued Shares of the Company shall never be less than the nominal value of such Shares.

The following paragraph shall be added as paragraph (c) to this section:

(c) **Fractional Shares.** Any adjustment of Shares pursuant to this Section 9 shall be rounded up to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares and no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 13. DURATION AND AMENDMENTS.

The following paragraphs of this section shall be amended to read as follows:

(a) **Term of the Plan.** The Plan, as set forth herein, shall become effective on the date of its adoption by the Board. The Plan shall terminate on the date that is ten (10) years after its adoption by the Board and may be terminated on any earlier date pursuant to Section 13(b). No Options may be granted under this Sub-Plan on or after the date that is thirty-eight (38) months following the date of approval of the Sub-Plan by the Board unless authorization is given by the Board to do so. Such authorization may be granted for a further period of up to thirty-eight (38) months.

(b) **Right to Amend or Terminate the Plan.** The Board may amend or terminate the Plan at any time and for any reason. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

Without limiting the generality of the foregoing, the Board shall be entitled to make such amendments to this Sub-Plan and to the terms and conditions of any Options granted hereunder as are necessary to ensure that such Options benefit from the most favorable tax and social security treatment available under French law from the perspective of the Company and its Subsidiaries, as a first priority, and the Participants, as a second priority.

The following Section shall be added to this Sub-Plan:

SECTION 14. NO ENTITLEMENTS.

A Participant's rights, if any, in respect of or in connection with any Option is derived solely from the discretionary decision of the Company to permit the individual to participate in this Sub-Plan and to benefit from a discretionary Option. By accepting an Option under the Sub-Plan, a Participant expressly acknowledges that there is no obligation on the part of the Company to continue the Plan or the Sub-Plan and/or grant any additional Options. Any Option granted hereunder is not intended to be compensation of a continuing or recurring nature, or part of a Participant's normal or expected compensation, and in no way represents any portion of a Participant's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

The Company and its Subsidiaries reserve the right to terminate the service of any person at any time, and for any reason, subject to applicable laws, the Company's Articles of Incorporation and Bylaws and a written employment agreement (if any), and such terminated person shall be deemed irrevocably to have waived any claim to future vesting, damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan or any outstanding Option that is forfeited and/or is terminated by its terms or to any future Option.

GRANT NO. _____

PDF SOLUTIONS, INC.
2001 STOCK PLAN
STOCK OPTION AGREEMENT
(FRANCE)

PDF Solutions, Inc. (the "Company"), hereby grants an Option to purchase shares of its common stock (the "Shares") to the French resident Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attachment and in the Company's 2001 Stock Plan (the "Plan"), as amended by the Sub-Plan to the PDF Solutions, Inc. 2001 Stock Plan France (the "Sub-Plan").

Date of Option Grant: _____, [YEAR]

Name of Optionee: _____

Optionee's Identification Number: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: \$ _____

Vesting Schedule:

Subject to all the terms of the attached Agreement, you shall vest as to fifty percent (50%) of the total number of Shares covered by this Option, as shown above, on the one (1)-year anniversary of the Date of Option Grant and you shall vest as to fifty percent (50%) of the total number of Shares covered by this Option on the second (2nd)-year anniversary of the Date of Option Grant. No additional Shares will vest after your Service has terminated for any reason.

Mandatory Holding Period:

The Shares subject to this Option may not be transferred, assigned or hypothecated in any manner before the four (4)-year anniversary of the Date of Option Grant (the "Holding Period"), except where such transfer does not lead to any liability of the Company and the Subsidiary in terms of social security charges or in the event of a Change In Control, if the Company decides to waive this Holding Period. Any shares issued prior to the expiration of the Holding Period may be delivered with a legend to reflect the foregoing restrictions. Notwithstanding the foregoing, the Optionee will not be required to hold Shares purchased pursuant to the exercise of the Option beyond the third (3rd)-annual anniversary of the date the Option is exercised.

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Agreement and in the Plan and Sub-Plan, copies of which are also enclosed.

Optionee: _____
(Signature)

Company: **PDF SOLUTIONS, INC.**

By: _____
Keith Jones, Chief Financial Officer

Attachment

PDF SOLUTIONS, INC.
2001 STOCK PLAN
STOCK OPTION AGREEMENT
(FRANCE)

**The Plan and
Other Agreements**

The text of the Plan (as amended by the Sub-Plan) is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan, as amended by the Sub-Plan.

This Agreement and the Plan (as amended by the Sub-Plan) constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.

Preferential Tax Treatment

This Option is intended to qualify for preferential treatment under French tax and social security laws.

Vesting & Exercisability

This Option is only exercisable on or after the fourth (4th)-annual anniversary of the Date of Option Grant and before the Option expires and then only with respect to the vested portion of the Option.

This Option will vest according to the Vesting Schedule on the attached cover sheet.

Term

Your Option will expire in any event (except in the case of your death) at the close of business at Company headquarters on the day before the one hundred fourteenth (114th) monthly anniversary of the Date of Option Grant, as shown on the cover sheet. Your Option will expire earlier if your Service terminates for any reason other than your death, as described below.

Mandatory Holding Period

The Shares you may acquire upon exercise of this Option are subject to a mandatory Holding Period, as defined in the attached cover sheet. All Shares subject to this Option which you may own at the time your Service terminates for any reason other than your death or Disability shall remain subject to the Holding Period defined in the attached cover sheet.

Termination – General

If your Service terminates for any reason, other than for death, Disability or Cause, as defined below, then:

- The unvested portion of your Option, if any, will expire immediately upon your termination date.
- The vested portion of your Option, if any, will expire at the close of business at Company headquarters on the 90th day after your termination date; provided that, if you would be prohibited from exercising the vested portion of your Option during the 90 days following your termination date because your Service terminates before the fourth (4th)-annual anniversary of the Date of Option Grant (see Vesting & Exercisability above), the vested portion of your Option, if any, will expire on the 90th day after the fourth (4th)-annual anniversary of the Date of Option Grant.

Termination for Cause

If your Service is terminated for Cause, as determined by the Board in its sole discretion, then you shall immediately forfeit all rights to your Option and the Option shall immediately expire. For purposes of this Agreement, "Cause" shall mean the termination of your Service due to your commission of any act of fraud, embezzlement or dishonesty; any unauthorized use or disclosure of confidential information or trade secrets of the Company (or any Parent, Subsidiary or Affiliate); or any other intentional misconduct adversely affecting the business or affairs of the Company (or any Parent, Subsidiary or Affiliate) in a material manner. This definition shall not restrict in any way the Company's or any Parent's, Subsidiary's or Affiliate's right to discharge you for any other reason, nor shall this definition be deemed to be inclusive of all the acts or omissions which constitute "cause" for purposes other than this Agreement.

Death

If your Service terminates because of your death, then:

- The unvested portion of your Option, if any, will expire immediately upon your death.
 - The vested portion of your Option, if any, will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death, irrespective of the normal term of the Option except that, in no event, shall the Option continue beyond the close of business at Company headquarters on the tenth (10th) annual anniversary of the Date of Option Grant. Notwithstanding the foregoing, if your estate or heirs would be prohibited from exercising the vested portion of your Option during the twelve (12)-month period
-

following the date of death because the date of death occurs before the fourth (4th)-annual anniversary of the Date of Option Grant (see Vesting & Exercisability above), the vested portion of your Option, if any, will expire on the date twelve (12) months after the fourth (4th)-annual anniversary of the Date of Option Grant. During this period, your estate or heirs may exercise the vested portion of your Option.

Disability

If your Service terminates because of your Disability, then:

- The unvested portion of your Option, if any, will expire immediately upon your termination date.
- The vested portion of your Option, if any, will expire at the close of business at Company headquarters on the date twelve (12) months after your termination date; provided that, if you would be prohibited from exercising the vested portion of your Option during the twelve (12)-month period following your termination date because your Service terminates before the fourth (4th)-annual anniversary of the Date of Option Grant (see Vesting & Exercisability above), the vested portion of your Option, if any, will expire on the date twelve (12) months after the fourth (4th)-annual anniversary of the Date of Option Grant.

Leaves of Absence

For purposes of this Option, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by applicable law. However, your Service will be treated as terminating ninety (90) days after you went on leave, unless your right to return to active work is guaranteed by law or by a contract. Your Service terminates in any event when the approved leave ends unless you immediately return to active work.

The Company determines which leaves count for this purpose, and when your Service terminates for all purposes under the Plan.

Notice of Exercise

When you wish to exercise this Option, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice will be effective when it is received by the Company.

If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

Form of Payment

When you submit your notice of exercise, you must include payment of the Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:

- Cash, your personal check, a cashier's check or a money order.
- Shares which have already been owned by you for more than six (6) months and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
- To the extent a public market for the Shares exists as determined by the Company, by delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

Withholding Taxes

You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.

Restrictions on Exercise and Resale

By signing this Agreement, you agree not to exercise this Option or sell any Shares acquired under this Option at a time when applicable laws, regulations or Company or underwriter trading policies prohibit exercise, sale or issuance of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which shall not exceed one hundred eighty (180) days in length, during which this Option shall not be exercisable if the Company determines (in its sole discretion) that such limitation on exercise could in any way

facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. Such limitation on exercise shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

Transfer of Option

Prior to your death, only you may exercise this Option. You cannot transfer or assign this Option. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will.

Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

Retention Rights

Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Service at any time and for any reason, subject to applicable laws. By accepting this Option, upon your termination of Service, you shall be deemed irrevocably to have waived any claim to future vesting, damages or specific performance for breach of contract or dismissal, compensation for loss of office, tort or otherwise with respect to the Plan (as amended by the Sub-Plan), this Option or any other option that is forfeited and/or is terminated by its terms or to any future option.

Stockholder Rights

You, or your estate or heirs, have no rights as a stockholder of the Company until a certificate for your Option's Shares has been issued. No adjustments are made for dividends or other rights if the applicable record date occurs before your stock

certificate is issued, except as described in the Plan.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded up to the nearest whole number) and the exercise price per Share may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan (as amended by the Sub-Plan). Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

Legends

All certificates representing the Shares issued upon exercise of this Option shall, where applicable, have endorsed thereon the following legends:

“THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of California.

French Securities Laws

Note that neither the Plan nor the Sub-Plan entails the issue of an information memorandum receiving the visa of the Autorité des Marchés Financiers and the Plan and the Sub-Plan have not been authorized by the Autorité des Marchés Financiers. You can only participate in the Plan to your own account in accordance with the provisions of French Decree no. 2006-557 of May 16, 2006, such as codified in Articles D.411-1 to D.411-4 of the French Financial and Monetary Code. The direct or indirect diffusion to the public in France of the financial instruments acquired as a result of participation in the Plan is strictly limited and may only be carried out in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Financial and Monetary Code.

Data Protection

Optionee acknowledges that the Company, its Subsidiaries and its Affiliates may process confidential or sensitive personal data about Optionee. Such data includes but is not limited to appropriate personal and financial data about Optionee. Optionee hereby gives explicit consent to the Company to process any such personal data and/or sensitive personal data. Optionee also hereby gives explicit consent to the Company to transfer any such personal data and/or confidential or sensitive personal data outside the country in which Optionee is employed, as well as to the providers of benefits or administration services to the Company or employees, and Optionee agrees to the processing, disclosing and transmitting of such information as is disclosed. The legal person for whom such personal data is intended is the Company (or any of its Subsidiaries or Affiliates). Optionee understands that he/she has the right of access and correction to his/her personal data by making a request to the Company's Secretary. Optionee further understands that the Company or a Subsidiary may report information regarding this Option to any tax authorities and other governmental agencies as may be required to comply with applicable law.

No Entitlements

Optionee's rights, if any, in respect of or in connection with this Option are derived solely from the discretionary decision of the Company to permit the Optionee to participate in the Plan (as amended by the Sub-Plan) and to benefit from a discretionary Option. By accepting this Option, Optionee expressly acknowledges that there is no obligation on the part of the Company to continue the Plan or the Sub-Plan and/or grant any additional options to Optionee. This Option is not intended to be compensation of a continuing or recurring nature, or part of a Optionee's normal or expected compensation, and in no way represents any portion of Optionee's salary, compensation, or other remuneration for purposes of pension benefits, severance, redundancy, resignation or any other purpose.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan, as amended by the Sub-Plan.